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THE DISTRIBUTION OF INTERMEDIATE SCHOOL DISTRICT SPECIAL
EDUCATION MILLAGE FUNDS TO CONSTITUENT SCHOOL DISTRICTS IN
MICHIGAN

Michigan State University

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THE DISTRIBUTION OF INTERMEDIATE SCHOOL DISTRICT
SPECIAL EDUCATION MILLAGE FUNDS TO CONSTITUENT
SCHOOL DISTRICTS IN MICHIGAN

By

Timothy Lee Krug

A DISSERTATION

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ABSTRACT

THE DISTRIBUTION OF INTERMEDIATE SCHOOL DISTRICT SPECIAL EDUCATION MILLAGE FUNDS TO CONSTITUENT SCHOOL DISTRICTS IN MICHIGAN

By

Timothy Lee Krug

Michigan Rules governing the distribution of special education millage funds require that intermediate school districts (ISDs) distribute these funds in a like-percent payment to all constituent districts for their unreimbursed additional costs of providing special education programs and services. The Rules also allow an ISD to use an alternative distribution method if the method and reasons therefor are submitted for state approval in the required annual special education plan.

The purpose of this study was to learn the manner in which special education millage funds were distributed. Specifically, it sought to discover:

1. If constituent districts and their handicapped children were treated in accordance with applicable regulations for financial support;
2. Whether any reported practices that differed from the distribution methods embodied in the Rules diminish equity; and
3. What processes the state used to ensure compliance.

The population comprised 55 ISDs. Information concerning the actual methods used to distribute special education millage funds was requested from each ISD and special education plans for 1984-85 were reviewed. A Michigan Department of Education designee was interviewed to discover the state processes used to ensure compliance.

The findings disclosed the following:

1. Only 21% of the ISDs (9 of 42) required to follow the rules so complied.
2. Four ISDs used earmarked special education funds to support the general education programs of their out-of-formula districts.
3. Ten ISDs provided free service to some constituent districts and prorated support for the same service to others.
4. Sixty-three percent of the ISDs (33 of 52) used an alternative distribution method; only 17 submitted the method in their special education plans, as required, and only two of these included the required reasons.
5. Nine ISDs used flat-grant distribution systems (or variations), which resulted in varying degrees of reimbursement inequity.
6. Twenty-four ISDs used variations of the state-specified excess-cost distribution system, which resulted in varying degrees of reimbursement equity.
7. The state appears to have routinely approved alternative methods submitted for approval in special education plans.
8. There were no indications that the state has monitored application of the Rules.

Certain recommendations were made to improve equity.

DEDICATED

to

Dr. Charles V. Mange

His steadfast belief in the principles
of equity, his compassionate brilliance,
and his tireless efforts have allowed
many to experience a richer life.

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This study would not have been completed without the help of many people.

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CHAPTER I

INTRODUCTION

Michigan is divided into 57¹ intermediate school districts (ISDs), each comprising from 2 to 34 local constituent school districts. The voters of all but one ISD in Michigan have approved the adoption of a special education millage levy. The levies vary among ISDs, ranging from three-fourths of a mill to four mills, and raise more than \$163 million annually (Michigan Board of Education, May, 1984), which is earmarked for the education of handicapped students. The present study was designed to discover the manner in which ISDs distribute these monies to constituent school districts to support the education of handicapped children who reside in their districts.

The Problem

Michigan Public Act 18 of 1954, The Special Education Act, allowed the electors of an ISD to adopt a specific property tax to support the costs of educating handicapped children. Once a special education tax was adopted, the provisions of the Special Education Act came into effect. The Act contained provisions that detailed the manner in which

¹Two ISDs, Newago and Oceana, are joined for the purpose of cooperating in providing special education programs and services. With respect to special education programs and services, Michigan is divided into 56 ISDs.

funds raised were to be distributed to constituent school districts. The problem concerning the distribution of special education millage funds arose primarily because of the following two situations.

1. The provisions governing the distribution of special education millage funds were interpreted differently by many ISDs; and
2. ISDs were accountable only to themselves, as the State Department of Education did not collect or receive data concerning the manner in which special education millage funds were distributed.

For these two reasons, many variations resulted among ISDs in the actual practices they used in distributing special education millage funds. These variations raised concerns among segments of the special education community, as well as among legislators and policy makers, regarding the equitable distribution of special education millage funds to support the education of handicapped students.

In an attempt to remedy this problem, Public Act 198 of 1971, popularly referred to as Michigan's Mandatory Special Education Act, contained a provision (Section 317a) requiring ISDs that had approved a special education levy to expend funds in accordance with rules promulgated by the State Board of Education. This Act, which took effect in July 1972, also repealed the former language governing the distribution of special education millage funds (Section 2) and replaced that language with a requirement that the Michigan Department of Education publish rules governing the distribution of these funds. However, instead of the envisioned reduction of concerns, the problem was

intensified because the State Board of Education did not promulgate the required rules until August 1980. Thus, for more than eight years, no regulatory provisions were in force that governed the distribution of special education millage funds.

In August 1980, the Michigan Board of Education published a revision of the Michigan Special Education Rules. Two rules were added (Rule 340.1811 and Rule 340.1812) to govern the distribution and use of ISD special education millage funds. The rules were devised to ensure that constituent school districts and their handicapped students are treated fairly in terms of financial support and to establish a more consistent level of fiscal support for handicapped students among ISDs throughout the state (Mange, 1984). A question that remains, however, is whether special education millage funds are being distributed fairly and consistently, as required by the Michigan Special Education Rules.

Need for the Study

The need for this study arose from the fact that no information is available on a statewide basis regarding the actual use and status of ISD special education tax receipts. Michigan regulations pertaining to such use are predicated on the principle of equity and contain certain specific requirements (or alternatives) to ensure impartiality. There have been indications that equity has sometimes been compromised or reduced. If so, at least three significant problems can arise. First, as already noted, certain constituent school districts of the ISD may be treated differently from others with respect to financial support. Unfortunately, the funding system is sufficiently complex that many

constituent districts would not necessarily be aware of such inequity if it existed. Second, certain ISDs have claimed great financial difficulty with a given millage, whereas others with the same millage appear to have much less difficulty supporting necessary programs and services. Perhaps the reason for these differences lies in the manner of use and distribution of available funds. Third is the matter of public and legislative faith in the appropriate stewardship of special education funds. If the legislature and the taxpayers are to support these special taxes, there is a great need to ensure comparability, equity, and efficiency in the use of the monies provided. At stake is the extent of trust and faith in the system. There are some suggestions that the needed level of legislative and public support may be eroded through certain practices.

Purpose of the Study

This study was undertaken to discover whether the Michigan Special Education Rules governing the distribution of ISD special education millage funds are being followed and to determine what processes the Michigan Department of Education is using to ensure compliance with these provisions. The purposes of this study were:

1. To learn whether constituent school districts and their handicapped children are treated in accord with applicable regulations for financial support both within and among ISDs,

2. To examine any reported ISD alternative financial support systems to learn whether these systems enhance or diminish equity in distributing support funds, and
3. To generate empirical evidence that could affect future policy decisions regarding the distribution of special education millage tax funds.

Definitions of Terms

For precision and consistency, as well as to increase clarity and continuity for the reader, the following terms are defined.

Added cost--the amount spent to provide a special education program or service, in excess of the amount spent for nonhandicapped students in regular education programs.

Adoption of a special education millage--a majority vote of the electors of an ISD approving a property tax to support special education programs and services.

Allowable costs--the categories and expenditures permitted on the state cost reports for disclosing a school district's actual costs for providing special education programs and services.

Calculation of receipts--the methods used to compute the amount of money a school district receives from sources other than the ISD (i.e., state membership allowance, state categorical aid, and federal funds) to support the special education program.

Categorical aid--the method and funds used by the state to grant subsidies in addition to "membership" aid to school districts for particular purposes. Categorical aid is determined annually in the

State Aid Act and includes earmarked subsidies for special education programs and services primarily in three sections (or categories). The general category of special support for special education programs, which is based on the "added-costs system," is found in Sections 51 and 52. Categorical aid is also granted for special education purposes in Section 53 (100% of added costs for nonresident court-placed students) and in Section 71 (special education transportation).

Constituent school district--a local school district that is identified as a constituent member of a given ISD. (All local school districts are constituent members of an ISD.)

Claim on the ISD special education fund--the ceiling amount a local school district is eligible to receive from the special education millage tax revenues of its ISD.

Distribution of special education millage--the manner in which revenues from the special education tax are disbursed to support special education programs and services within the ISD and its constituent school districts.

Equity in the distribution of ISD special education millage--a like-percent of financial support to constituent school districts for the additional costs of providing special education programs and services. This definition requires a percentage basis which was precisely that required in Public Act 18 of 1954 and is now embodied within the Michigan Special Education Rules. The principle of equity relates to an equal level (like-percent) of fiscal support, rather than an equal dollar amount of support. If additional costs to all constituent

school districts were equal, an equal dollar amount of support would be equitable. However, because the additional costs of providing special education programs and services vary both among and within school districts, disbursing equal dollar amounts of support would violate the principle of equity. For example, if the additional costs to provide a special education program in District A were \$35,000 and in District B they were \$15,000, an equal dollar amount (flat-support system) of \$5,000 reimbursement to each district would not be equitable. Note that the additional costs for both District A and District B are \$50,000 (\$35,000 + \$15,000). If \$10,000 is available to distribute to the two districts, a like-percent payment would be 20% of their respective additional costs (\$50,000 divided by \$10,000 = 20%). Therefore, an equitable level of support would be for District A to receive \$7,000 (20% x \$35,000) and District B to receive \$3,000 (20% x \$15,000).

Intermediate school district (ISD)--an educational agency operating at a regional level and comprising several local constituent districts.

ISD special education fund--the money generated by an ISD special education millage, including both the current yearly revenue and any accrued revenue.

Membership allowance (often referred to as simply "membership")--the state-determined per student and per mill amount guaranteed to be available to a school district for general program operation. This per student amount is a guaranteed level of financial support per mill of local tax effort; the state makes up the difference, if any, between

what a local school district receives in property tax revenues and the guaranteed level of support.

Michigan Board of Education--a constitutionally established body that serves as the general planning and coordinating unit for all public education in Michigan.

Michigan Department of Education--the administrative unit of the Michigan Board of Education responsible for performing duties and implementing policies as delegated by law and directed by the Board.

Michigan public act--a law approved by both branches of the Michigan legislature and having force in Michigan. Next to the State Constitution, it is the governing level of Michigan law.

Michigan Special Education Rules--the rules to implement the laws pertaining to education of handicapped children that have been promulgated by the Michigan Board of Education, approved by a joint legislative committee and the State Attorney General's office, and filed with the Secretary of State. (These rules govern the operation of Michigan special education programs and services.)

Millage--the taxation rate applied against the state equalized valuation (SEV) of property. A mill equals one-tenth of a cent or one dollar for every thousand dollars of valuation.

Millage: special education millage--a voter-approved tax to levy a specific number of mills on the property of an ISD, with the revenues earmarked for the support of special education programs and services.

Special education plan--a legally required document developed annually by an ISD in cooperation with local constituent school

districts and their special education parent advisory committee, which has been approved by the State Board of Education. This plan details how an ISD and its local constituent school districts intend to meet the obligation to provide special education programs and services to their handicapped students.

State equalized valuation (SEV)--the assessed value of property, adjusted by a multiplication factor to equalize any assessing differences among the various taxing units in Michigan. (The purpose is to ensure that property throughout Michigan is assessed at 50% of its true cash value.)

Overview of the Study

The remainder of this dissertation is organized in the following manner. In Chapter II the pertinent literature is reviewed. This review contains four parts. The first is a comprehensive historical review of the Michigan public acts containing the provisions for adoption of a special education millage and distribution of special education millage funds to constituent school districts. The second part of the review deals specifically with variations in ISD practices for distributing special education millage funds. The third part reviews the report of the Special Education Ad Hoc Task Force of 1977, which identified problems with the distribution of special education millage funds and generated recommendations to assist in alleviating the problem. Presented in the fourth part of Chapter II are the two rules

added to govern the distribution and use of special education millage funds in the 1980 revision of the Michigan Special Education Rules.

The procedures followed in conducting this study are presented in Chapter III. In Chapter IV, the results and major findings of the investigation are presented and discussed. Chapter V contains the conclusions of the study and recommendations for further research.

CHAPTER II

REVIEW OF LITERATURE

Introduction

The review of literature is divided into the following four parts:

1. A historical perspective of those Public Acts of Michigan that contain the legal provisions for both (a) the adoption of an ISD special education millage and (b) the distribution of special education millage funds to constituent school districts,
2. Variations in ISD practices for distributing special education millage funds,
3. The problems identified by the Special Education Ad Hoc Task Force of 1977 concerning the methods used by ISDs to distribute special education millage funds to constituent districts and the recommendations generated for relief from these concerns, and
4. The 1980 revision of the Michigan Special Education Rules, which added two rules to govern the distribution of ISD special education millage funds.

Historical Perspective of Michigan Public Acts

The legal provisions for the ISD special education millage originated with the passage of Public Act 18 of 1954 (Appendix A). This was a permissive type of legislation, which authorized voters of a county school district¹ to adopt a specific property tax to support the costs of educating handicapped children. Only if a special education millage tax was approved did the provisions of Public Act 18 take effect. This landmark legislation, which is accurately termed the Special Education Act, laid the foundation on which special education programs and services for handicapped children in Michigan have been constructed. The preamble reads:

AN ACT to provide for the financing, administration and operation of special education programs for handicapped children by school districts, including county school districts; to provide for the granting of financial assistance by county school districts to constituent school districts for special education housing or programs; to provide for county school districts and constituent districts to bind themselves together by contract for long-term cooperation in special education enterprise; and to provide for the allocation, levying, collection and handling of a county school tax for special education. (Public Act 18 of 1954, entitlement)

Two components of the Special Education Act are of particular importance to this study. These are (a) the provisions for adopting a special education millage and (b) the provisions governing the distribution of such funds to constituent school districts. Each of these

¹ISDs were known as county school districts until the name was changed by Public Act 190 of 1962.

components is described in the following pages as originally presented in the legislation and as they have been amended, repealed, or included within succeeding acts of the Michigan Legislature.

Adoption of a Special Education Millage

As stated earlier, to qualify for the provisions of Public Act 18 of 1954, a majority of the electors of a county school district were required to vote and approve a special education millage levy. The original language allowed only counties that had a population of 390,000 or more to adopt the Special Education Act (Public Act 18 of 1954, Section 2). In 1955, the provisions of Public Act 18 of 1954 were incorporated within the School Code of 1955 (Public Act 269 of 1955, Sections 309-327). The section regarding population requirements was revised to allow electors of counties with populations of 180,000 or more to consider the question of adoption. Language was also added to this section that allowed for the adoption of a special education millage levy by two or more counties of less than 15,000 people each, which had joined together as a "combined district" (Public Act 269 of 1955, Section 310). Several months later, this section was amended to eliminate the population requirements associated with adoption of the act (Public Act 4 of the First Extra Session of 1955). This change meant that the electors of all county school districts could consider the question of adopting a special education millage and the accompanying provisions.

An important condition concerning the adoption of a special education millage and the accompanying provisions was that once voted on and

approved by the electors, another vote of the electors was required to amend or remove it (Public Act 18 of 1954, Section 2, as incorporated by Public Act 269 of 1955, Section 310, as repealed and added by Public Act 190 of 1962, Section 2 and Section 307a, respectively). For all practical purposes, this requirement made the special education millage levy a permanent tax, as it does not expire and could only be changed by a specific vote of the electors of the ISD in question. To date, there has never been a vote to remove a special education millage (Baxter, 1985). In 1976, the section containing the clause requiring another vote of the electors to amend or remove the special education levy was repealed by the School Code of 1976 (Public Act 451 of 1976, Section 1851 [h]). A new section was added regarding the adoption of a special education millage (Public Act 451 of 1976, Section 1722 [1]), which did not include the previous statement about amending or removing the special education tax. This new section, which is currently in effect, reads:

The question of adopting 1722 to 1729 may be submitted to the school electors of an intermediate school district at an annual election or at a special election held in each of the constituent districts. Sections 1722 to 1729 shall be effective if approved by a majority of the school electors of an intermediate school district voting. . . . (Public Act 451 of 1976, Section 1722 [1], in part)

Sections 1722 to 1729 referred to above specifically concern the adoption or increase of a special education millage tax and how the funds raised are to be distributed (Public Act 451 of 1976, Sections 1722-1729). There is no provision for removing or reducing a special education millage levy.

Public Act 191 was passed in 1963 to add a section to the School Code of 1955 (Public Act 191 of 1963 added Section 316b to Public Act 269 of 1955, as amended) to allow for increasing the special education millage tax because Public Act 18 of 1954 (as incorporated by Public Act 269 of 1955, as amended) did not contain specific provisions for increasing the special education millage rate once a millage had been adopted. As mentioned above, the provision allowing a special millage tax to be increased continues to be in effect and has been incorporated in the School Code of 1976 (Public Act 451 of 1976, Section 1724).

Today, 56 of Michigan's 57 ISDs levy a special education millage, which varies from three-fourths of a mill to four mills (Appendix B). This levy is earmarked to support special education programs and services.

Distribution of Special Education Millage Funds to Constituent Districts

Need for Financial Aid to Constituent Districts for Special Education

In general, it costs more to provide educational services to handicapped students than to nonhandicapped students (Special Education Task Force Report, 1977, p. 78). These additional costs vary both among handicapped students themselves and among the school districts providing services. Some of the reasons for these varying costs include:

1. Variable teacher/student ratios (for example, if two teachers each received the same salary and other expenses were held

constant, a teacher serving five students, or a 1:5 teacher/student ratio, would require twice the cost per student as a teacher serving ten students, or a 1:10 teacher/student ratio);

2. Variations in salaries paid to teachers (A teacher with 15 years of experience is paid more than a teacher with one year of experience, and the salary scales usually differ from one school district to another);
3. Special transportation needs (Variations in transportation costs are associated with the unpredictable distance a handicapped child may live from the location of his/her special education program, as well as with differing requirements for wheelchair lifts, additional staffing to handle behavioral problems, and so on);
4. Additional service needs of some students (This includes speech and language services, diagnostic evaluations, social worker intervention, behavior management specialist, and so on); and
5. Different needs for supplemental teaching aids and materials (For example, there may be need for Braille or large-print books; communication boards; high-interest, low-vocabulary reading texts; behavior-management materials; and study cubicles).

Distribution of Financial Aid to Constituent Districts

To explain the distribution of special education tax revenues to constituent local school districts as intended by Michigan legislators, it is necessary to examine the related provisions contained in the

original act, Public Act 18 of 1954, and then as incorporated in, amended, repealed, or added by succeeding acts.

The question arises about how the available monies should be allocated to: (a) ensure an equitable level of support for the differing additional costs of educating children with handicaps and (b) distribute the fiscal resources fairly among districts. In adopting Public Act 18 of 1954, the legislature intended that funds raised by the county special education tax be distributed to constituent local school districts in a manner that meets these conditions of equity for programs and districts, as expressed in the following section.

County boards of education operating under this act shall grant subsidies from special education funds to those constituent districts maintaining special education centers, such subsidies to be computed in the following manner: The per capita cost of each type of special education in each constituent facility shall be computed. From this amount shall be deducted the current per capita state subsidy, including membership as well as special education grants, for each respective type of special education. All or part of the difference resulting, multiplied by the number of pupils educated, shall be reimbursable by the county board of education: Provided, That if funds are not sufficient to make up all this difference, a like percent of such difference will be paid to all constituent centers in the county. (Public Act 18 of 1954, Section 14)

To interpret this section an understanding of the term "special education center" is necessary. A special education center, as defined in this act,

shall mean a constituent school district which, by action of its board of education, contracts with the county board of education to provide special education to non-resident pupils. (Public Act 18 of 1954, Section 1 [d])

Each constituent school district's special education program was considered a special education center. Contracts were made between

the ISD's board of education and each constituent school district's board of education, verifying an agreement to accept nonresident students in their special education programs. With every special education program designated a special education center, all local district special education programs were eligible for reimbursement from the special education millage fund (Mange, 1985).

Following the provisions of Public Act 18 of 1954, Section 14, each constituent district was required to compute the total per student cost by type of program (center). From this amount was subtracted the per student membership allowance from the state, as well as the average per student share of any other state monies (currently referred to as categorical aid) received for the student's special education program. The resulting difference was the per student additional cost to the local district to provide the special education program. This per student additional cost was then multiplied by the number of handicapped children served in the program. The total was the amount of reimbursement the local district could claim from ISD special education tax revenues.

Thus, the reimbursement claim equaled the total expenses of the program, minus the total receipts (membership and categorical aid) received for the program. An example follows to illustrate how two local school districts, District X and District Y, would compute the amount of their reimbursement from the ISD special education millage fund for operating a special education program. Both districts are constituents of the same ISD.

	<u>District</u>	
	X	Y
Total Cost of Program.....	\$20,000	\$24,000
General Membership Allowance, per student ¹	1,100	1,000
Number of Students in Program.....	<u>x8</u>	<u>x6</u>
Total Membership Receipts Received	8,800	6,000
Total State Subsidy for Program.....	1,200	4,200
(Categorical Aid) ²		

Illustration of Computational Procedure:

		<u>District</u>	
<u>Short Terms</u>	<u>Descriptor</u>	X	Y
Cost	Total Cost of Program	\$20,000	\$24,000
-Membership	Minus Total Membership Received	-8,800	-6,000
-Categorical Aid	Minus Total Special Education	-1,200	-4,200
	<u>Subsidy</u>		
=ISD Claim	Equals Amount Reimbursable from ISD	\$10,000	\$13,800

Therefore, the amounts reimbursable from the ISD special education millage fund to District X and District Y for their special education programs (the additional cost to the local school district for providing the special education program) were as follows:

District X was to be reimbursed \$10,000, and

District Y was to be reimbursed \$13,800.

¹General membership allowance, per student, from the state varied because different amounts were raised through varying local district property tax rates.

²State special education subsidies varied because the amount given was determined by a percentage payment of a special education teacher's salary up to a maximum amount.

When the total amount of the constituent school district claims exceeded the amount available in the special education fund, a like-percent was to be paid on the claims of all the constituent districts.

The provisions contained within Section 14 of Public Act 18 of 1954 detailed a specific set of procedures for a constituent school district to follow in computing the additional cost actually reimbursed from special education tax revenues. Following is an illustration of the procedure for determining the like-percent of payment.

Data needed:

Total additional cost claimed by constituent districts: \$500,000

Total amount available in the special education fund: \$300,000

Procedure:

1. Divide the amount available by the amount of the claim to compute the like-percent of payment. In this case,
\$300,000 divided by \$500,000 equals 60%.
2. To determine the amount of payment (actual reimbursement) to the constituent districts from the special education fund, multiply the amount of claim by the computed like-percent as follows:

<u>District</u>	<u>Amount of Claim</u>		<u>Like Percent</u>		<u>Actual Reimbursement</u>
X	\$10,000	(x)	60%	(=)	\$6,000
Y	\$13,800	(x)	60%	(=)	\$8,280

Multiplying by a like-percent was repeated for all constituent district reimbursement claims on the county special education fund to

determine the actual reimbursement. This statutory system incorporated within the Special Education Act recognized the need to distribute the fiscal burden of educating handicapped children equitably among constituent school districts.

To summarize, the provisions contained in Section 14 of Public Act 18 of 1954 explicitly required a process for distributing county special education tax revenues to constituent districts. This method both recognized and mandated equitable support of the additional cost incurred by local districts in providing special education programs and services by spreading any net cost burden proportionately among constituent school districts and programs. The identical language for the distribution of special education millage funds was incorporated in Public Act 269 of 1955, the School Code of 1955 (Section 322).

Public Act 190 of 1962, which created ISDs from the formerly titled county school districts, made only the wording changes necessary in this section to accommodate the shift from county school districts to ISDs. In the process, the previous section number was repealed (Public Act 269, Section 322), and a new section number was added (Section 319a), which contained the identical conditions and procedures for distributing special education millage funds to constituent school districts.

Public Act 198 of 1971, popularly referred to as Michigan's Mandatory Special Education Act, repealed the section pertaining to the distribution of special education millage funds to constituent districts (Public Act 269 of 1955, Section 319a, as amended), and added a

new section (317a), which required that the State Board of Education develop rules governing the distribution of special education millage funds. This section reads as follows:

Boards coming under the provisions of section 307a to 324a shall expend funds received under section 314a for special education purposes in accordance with rules promulgated by the state board of education. (Public Act 198 of 1971, Section 317a)

Sections 307a through 324a pertained to the adoption of a special education millage and the accompanying provisions. Section 314a referred specifically to the collection of a special education millage tax.

Public Act 451 of 1976, titled the School Code of 1976, was established "to revise, consolidate, and classify the laws relating to elementary and secondary education" (Public Act 451 of 1976, entitlement, in part).

This legislation and other acts of the same type are often referred to as re-codification acts. Their purpose is to merge all related acts by arranging them systematically under one legislation and numbering scheme. This may require some rewriting to accommodate the influence of different acts. However, the goal of a re-codification act is not to change the intention of any legislation, but to put the law together in one place.

For purposes of re-codification, Public Act 451 repealed the previous section (Public Act 198 of 1971, Section 317a) and incorporated essentially the same language in the following section:

An intermediate school board operating under sections 1722 to 1729 shall expend funds received under section 1728 for special education purposes in accordance with rules promulgated by the state board. (Public Act 451 of 1976, Section 1729 [1])

Sections 1722 through 1729, referred to above, contain the provisions concerning the special education millage. Section 1728 specifically refers to collection of the special education millage tax (Public Act 451 of 1976, Sections 1722-1729).

With the passage of Public Act 198 of 1971, a legal problem began to develop concerning the distribution of special education millage funds to constituent school districts. Public Act 198 of 1971 repealed the provisions governing the distribution of special education millage funds to constituent school districts (Public Act 198 of 1971, Section 2, repealed Section 319a of Public Act 269 of 1955, as amended). A provision was added, stipulating that funds would be reimbursed in accordance with rules promulgated by the State Board of Education (Public Act 198 of 1971, Section 317a). This provision was included because many variations existed in ISD practices for distributing special education millage funds. The drafters of Public Law 198 of 1971 believed that by requiring the State Board of Education to promulgate rules regulating the use of ISD special education millage funds, these variations would be properly addressed (Mange, 1985). The same language was maintained and incorporated within the School Code of 1976 (Public Act 451 of 1976, Section 1729 [1]), which is currently in effect. The resulting legal problem was that the State Board of Education did not promulgate rules governing the use of special education millage funds until August 1980. Public Act 198 of 1971

took effect in July 1972. Thus, for more than eight years there were no provisions governing the distribution of special education millage funds to constituent districts.

A chronological narrative summary of the legal provisions affecting the adoption of a special education millage levy and the legal provisions governing the distribution of such funds to constituent school districts are presented in Table 1. A more detailed listing and a summary of these legal provisions are presented in Appendix C.

Variations in Intermediate School District Practices for Distributing Special Education Millage Funds

Public Act 18 of 1954 contained provisions that governed the distribution of special education millage funds to local constituent school districts. Even though this language was in force until 1972, many variations existed and continue to exist among ISD practices for distributing these funds to their local constituent school districts. Variations occurred primarily for the following two broad and perhaps overlapping reasons:

1. ISDs interpreted the tax-distribution language differently (Michigan Department of Education, Special Education Administrative Manual, Volume II, Finance, 1985, p. 27); and
2. "This section of the law was not followed by many intermediate school districts" (Special Education Task Force Report, July 1977, p. 84).

Both of these reasons for variations in ISD practices for distributing special education millage funds are discussed in the following pages.

Table 1.--Chronological summary of the legal provisions for adopting a special education millage and the legal provisions governing distribution of such funds to constituent school districts.

Source of Legal Provisions	Special Education Millage	
	Adoption	Distribution
Michigan Public Act 18 of 1954	<p>Provided authorization for voters of county school districts with populations over 390,000 to adopt a special education millage levy.</p> <p>To amend or remove a special education millage levy, once adopted, required another vote of the electors.</p>	Reimbursement to all constituent school districts was based on a like-percent payment for the per capita additional costs of providing special education programs and services.
Michigan Public Act 269 of 1955	<p>Population limits allowing for adoption of a special millage were lowered from 390,000 or over to 180,000 or over.</p> <p>Included language that allowed two or more counties of less than 15,000 people each to join, with the "combined district" eligible to adopt the special education millage levy.</p>	No changes
Michigan Public Act 4 of the First Extra Session of 1955	Eliminated the population requirements for the adoption of a special education millage levy.	No changes
Michigan Public Act 190 of 1962	County school districts were renamed intermediate school districts. No changes in requirements for adoption of a special education millage levy.	No changes in the method of distributing special education millage funds to constituent school districts.

Table 1.--Continued.

Source of Legal Provisions	Special Education Millage	
	Adoption	Distribution
Michigan Public Act 191 of 1963	Added language that allowed for increasing a special education mill- age levy by a vote of the district's electors.	No changes
Michigan Public Act 198 of 1971	No changes	Repealed language about the method to be used in distribut- ing special education millage funds to con- stituent districts and added the require- ment that the State Board of Education promulgate rules gov- erning the distribu- tion of special education millage funds.
Michigan Public Act 451 of 1976	Language concerning removing an adopted special education mill- age levy was eliminated.	No changes
Michigan Special Education Rules Revision of 1980	No changes	Added two rules to govern the distribu- tion and use of spe- cial education millage funds.

Variations Due to Different Interpretations

In general, the legal provisions of Public Act 18 of 1954 stipulated a system of ISD special education millage fund reimbursement to constituent local school districts based on program costs minus

receipts. For the most part, variations occurred in ISDs' practices because of different interpretations of (a) which program costs were allowable and (b) how receipts were calculated (Mange, 1980). A discussion of each of these topics follows.

Allowable Program Costs

The added-cost system of state reimbursement for special education programs and services was adopted in the State Aid Act for the 1975-76 school year (Public Act 261 of 1975). This added-cost system resulted in the specification of allowable costs for special education programs and services, which were to be reported on a specific state form, DS 4096. On this form all costs were to be reported and listed according to categories and definitions. (The categories and definitions for the 1984-85 school year are included in Appendix D.) Before that time, it was not necessary for the state to collect full cost data (Special Education Task Force Report, July 1977). As a result, ISDs were forced to develop their own categories and definitions of what constituted allowable program costs (Mange, 1980). This lack of standardization and accountability led to many different interpretations and variations among ISDs. Some of these differences were noted in the 1977 report of the Ad Hoc Task Force on Special Education in Michigan:

Some [ISDs] permitted allowances for building operation and maintenance, secretarial services, rental of facilities, personnel travel, conference expenses. Even when allowed, great variations existed in the maximum limits and methods of calculation for each item. (Special Education Task Force Report, July 1977, p. 86)

Even though the state added-cost system provided a consistent listing of categories and definitions (starting with the 1975-76 school

year) of what constituted allowable program costs, many ISDs did not use them. "Numerous ISD's have continued with their own definitions and categories of allowable costs to be used when calculating ISD reimbursement to their constituent districts" (Special Education Task Force Report, July 1977, p. 86).

Special Education Rule 340.1811 (2), adopted in August 1980, requires ISDs to base allowable costs solely on those expenses that are reported and allowed by the Michigan Department of Education. However, there were still reports that ISDs were continuing to use their own categories and definitions for determining allowable costs (Mange, 1985).

Calculating Receipts

The major interpretive problem in calculating receipts was what amount was considered to be the per student membership received from the state. The provision concerning the deduction of state membership monies from allowable special education program costs in Public Act 18 of 1954 reads as follows: "From this amount [allowed program costs] shall be deducted the current per capita state subsidy, including membership" (Public Act 18 of 1954, Section 14, in part). The ambiguity of this language "stipulated independent decisions by ISD's as to the receipts received by local districts from the state" (Special Education Task Force Report, July 1977, p. 86).

Although some changes were made in the formulas for state membership aid (Thomas, 1968) before the state adopted the power-equalization

membership support system in 1973 (Public Act 101 of 1973), state membership support generally consisted of "a foundation level of so many dollars per pupil (gross allowance) minus the local share in terms of a specified property tax levy (deductible millage)" (Caesar, McKerr, & Phelps, 1973, p. 11).

Under this foundation-level support system, state membership was a gross allowance per student, with the state guaranteeing a certain dollar amount of support (foundation), minus a deductible amount (termed the local share or local per student tax receipts), which depended on the per pupil property wealth, state equalized valuation (SEV), of the local school district (Roe, Giddis, & Nielson, 1963). This system is illustrated in the following simplified example.

STATE FOUNDATION-LEVEL SUPPORT SYSTEM

	<u>District A</u> (High SEV)	<u>District B</u> (Med. SEV)	<u>District C</u> (Low SEV)
1. Foundation Level, per student, or "gross membership allowance"	\$1,000	\$1,000	\$1,000
2. Minus Local per student tax receipts (local share of membership)	900	500	100
3. Equals the State Aid Payment, per student (state share of membership)	100	500	900

It is important to note that the state gross membership allowance comprised a state share and a local share (or contribution). The problem with interpreting the language of Public Act 18 of 1954

concerned the deduction of state membership monies from special education program costs, and what was to be considered the state membership amount.

Some have argued for or simply accepted the position that the district receives only that portion of membership money actually paid from state funds and that the local tax yield is strictly local and should not be counted as a receipt. (Special Education Task Force Report, July 1977, p. 86)

Such an interpretation rewarded the high-SEV districts and produced considerable inequity in the distribution of available special education millage funds. This is illustrated for Districts A, B, and C, each of which operates a special education program with the allowable program costs, number of students, and categorical aid all being equal.

	<u>District A</u> (High SEV)	<u>District B</u> (Med. SEV)	<u>District C</u> (Low SEV)
Total Allowed Program Costs	\$20,000	\$20,000	\$20,000
Gross Membership Allowance	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Local Share (or Contribution)	900	500	100
State Share	100	500	900
Number of Students	10	10	10
State Categorical Aid	\$ 8,100	\$ 8,100	\$ 8,100

STATE SHARE OF MEMBERSHIP ALLOWANCE USED IN CALCULATING RECEIPTS

	<u>District A</u> (High SEV)	<u>District B</u> (Med. SEV)	<u>District C</u> (Low SEV)
1. Total Allowed Program Costs	\$20,000	\$20,000	\$20,000
2. Minus Receipts*	<u>-9,100</u>	<u>-13,100</u>	<u>-17,100</u>
3. Equals the Amount Reimbursable from the Special Education Millage Fund	\$10,900	\$ 6,900	\$ 2,900

*Calculation of Receipts:

Formula = (state share of "gross membership allowance" times the number of students) plus categorical aid

$$\text{District A} = (100 \times 10) + 8,100 = 1,000 + 8,100 = 9,100$$

$$\text{District B} = (500 \times 10) + 8,100 = 5,000 + 8,100 = 13,100$$

$$\text{District C} = (900 \times 10) + 8,100 = 9,000 + 8,100 = 17,100$$

As illustrated, a larger amount of the available special education millage funds would be reimbursed to the higher SEV districts if only the state share of the gross membership allowance was used in the calculation. Considerable inequity in the distribution of special education millage funds to local constituent districts would result. The legislature intended to have the state gross membership allowance subtracted from the allowable program costs, rather than supplementing the high valuation-districts with additional special education millage funds (Mange, 1985). The state gross membership allowance is used in the illustration below for Districts A, B, and C to demonstrate the legislative intention of equity in the distribution of special education millage funds to local constituent school districts.

GROSS MEMBERSHIP ALLOWANCE USED IN CALCULATING RECEIPTS

	<u>District A</u> (High SEV)	<u>District B</u> (Med. SEV)	<u>District C</u> (Low SEV)
1. Total Allowed Program Costs	\$20,000	\$20,000	\$20,000
2. Minus Receipts*	<u>-18,100</u>	<u>-18,100</u>	<u>-18,100</u>
3. Equals the Amount Reimbursable from the Special Education Millage Fund	\$ 1,900	\$ 1,900	\$ 1,900

*Calculation of Receipts:

Formula = State gross membership allowance times the number of students, plus categorical aid

District A, B & C = $(1,000 \times 10) + 8,100 = 10,000 + 8,100 = 18,100$

If local constituent school districts had the same program costs and the same receipts, the legislature intended under the provisions of Public Act 18 of 1954 that the reimbursement from ISD special education millage funds would be the same for each district.

When the state adopted the power equalization membership support system in 1973 (Public Act 101 of 1973), arguments continued over what should be considered as the state membership receipts for each student enrolled in a special education program (Mange, 1980). Under the power-equalization membership support system, the state gross membership allowance has been defined as the state-determined per student and

per mill amount guaranteed to be available to a school district for general program operation. This per student amount is a guaranteed level of support, with the state making up the difference, if any, between what a local school district received in property tax revenues and the guaranteed level of support. The major difference between the power-equalization membership support system and the former foundation-level membership support system is the concept of an "equal yield" for the number of mills levied by a local school district. The tax effort (number of mills voted by the electors of a local school district) is supported at set levels throughout the state, regardless of the property wealth of a local school district. An equal yield for equal tax effort is accomplished by the state's guaranteeing a specific amount of financial support for each student and for each mill levied by the local school district for general program operation. The following example illustrates how this system would work in three local school districts using the 1984-85 state aid formula (Public Act 239 of 1984) with a gross membership allowance of \$300 per student plus \$64 for each mill levied.

ILLUSTRATION OF THE STATE POWER-EQUALIZATION
MEMBERSHIP SUPPORT SYSTEM

<u>District</u>	<u>Operational Millage</u>	<u>Per Pupil SEV</u>	<u>Gross Allowance</u>	<u>Revenue Source</u>	
				<u>Local Tax</u>	<u>State</u>
X	35	20,000	2,540	700	1,840
Y	30	40,000	2,220	1,200	1,020
Z	25	70,000	1,900	1,750	150

Calculations:

District X

$$\text{Gross Allowance} = 300 + 64 \text{ per mill} = 300 + (64 \times 35) = 300 + 2240 = 2540$$

$$\text{Local Tax} = \text{Per Pupil SEV} \times \text{Millage Rate} = 20,000 \times .035 = 700$$

$$\text{State Share} = \text{Gross Allowance} - \text{Local Tax} = 2540 - 700 = 1840$$

District Y

$$\text{Gross Allowance} = 300 + 64 \text{ per mill} = 300 + (64 \times 30) = 300 + 1920 = 2220$$

$$\text{Local Tax} = \text{Per Pupil SEV} \times \text{Millage Rate} = 40,000 \times .030 = 1,200$$

$$\text{State Share} = \text{Gross Allowance} - \text{Local Tax} = 2220 - 1,200 = 1,020$$

District Z

$$\text{Gross Allowance} = 300 + 64 \text{ per mill} = 300 + (64 \times 25) = 300 + 1600 = 1900$$

$$\text{Local Tax} = \text{Per Pupil SEV} \times \text{Millage Rate} = 70,000 \times .025 = 1750$$

$$\text{State Share} = \text{Gross Allowance} - \text{Local Tax} = 1900 - 1750 = 150$$

As illustrated, the power-equalization membership support system is based on an equal-yield concept for each student and for each mill levied in the local school district, with the state paying the difference, if any, between what has been raised at the voted operational millage level and the guaranteed amount. The higher the voted operational millage, the larger the state gross membership allowance. There continues to be a local share (contribution) and a state share of the gross membership allowance. The state share would be zero if the per student SEV times the millage rate (or the local tax revenue, per student) exceeds the gross membership allowance.

If only the state share is considered to be the membership receipts received from the state in calculating the ISD special education millage reimbursement to local school districts, high-valuation districts would benefit by receiving more special education millage funds.

In intermediate school districts which follow this position, it can be seen that high valuation districts which receive little or no state membership money will show few or no receipts, thereby raising their claim against the intermediate school district fund. (Mange, 1980, p. 17)

This is illustrated for the hypothetical example of local school Districts X, Y, and Z. The allowable programs costs (\$30,000) and the number of students served (10) are the same for each district.

STATE SHARE OF MEMBERSHIP USED IN CALCULATING RECEIPTS

	<u>District X</u> High Mill/ Low SEV	<u>District Y</u> Med. Mill/ Med. SEV	<u>District Z</u> Low Mill/ High SEV
1. Total Allowed Program Costs	\$30,000	\$30,000	\$30,000
2. Minus Receipts*	<u>-18,690</u>	<u>-11,370</u>	<u>= 3,150</u>
3. Equals the Amount Reimbursable from the Special Education Millage Fund	\$11,310	\$18,630	\$26,850

*Calculation of Receipts:

Formula = State share of Membership Allowance times the Number of
Students, Plus State Categorical Aid

State Categorical Aid = Allowed Program Costs minus Gross Membership
Allowance, Times the percent of Actual State
Payment (15% payment is assumed)

$$\text{District X} = 30,000 - (2,540 \times 10) = 30,000 - 25,400 = 4,600$$

$$4,600 \times .15 = 690$$

$$\text{District Y} = 30,000 - (2,220 \times 10) = 30,000 - 22,200 = 7,800$$

$$7,800 \times .15 = 1,170$$

$$\text{District Z} = 30,000 - (1,900 \times 10) = 30,000 - 19,000 = 11,000$$

$$11,000 \times .15 = 1,650$$

Total Receipts = State Share times number of students, plus
categorical aid

$$\text{District X} = (1,800 \times 10) + 690 = 18,000 + 690 = 18,690$$

$$\text{District Y} = (1,020 \times 10) + 1,170 = 10,200 + 1,170 = 11,370$$

$$\text{District Z} = (150 \times 10) + 1,650 = 1,500 + 1,650 = 3,150$$

The hypothetical illustration of Districts X, Y, and Z is recalculated using the state gross membership allowance. The state categorical aid would remain the same in both situations.

STATE MEMBERSHIP ALLOWANCE USED IN CALCULATING RECEIPTS

	<u>District X</u> High Mill/ Low SEV	<u>District Y</u> Med. Mill/ Med. SEV	<u>District Z</u> Low Mill/ High SEV
1. Total Allowed Program Costs	\$30,000	\$30,000	\$30,000
2. Minus Receipts*	<u>-26,090</u>	<u>-23,370</u>	<u>-20,650</u>
3. Equals the Amount Reimbursable from the Special Education Millage Fund	\$ 3,910	\$ 6,630	\$ 9,350

*Calculation of Receipts:

Receipts = Gross membership allowance times the number of students,
plus categorical aid

$$\text{District X} = (2,540 \times 10) + 690 = 25,400 + 690 = 26,090$$

$$\text{District Y} = (2,220 \times 10) + 1,170 = 22,200 + 1,170 = 23,370$$

$$\text{District Z} = (1,900 \times 10) + 1,650 = 19,000 + 1,650 = 20,650$$

Equity in the distribution of ISD special education millage funds is achieved by providing, in formula, 100% of the additional costs occurring to the local school district. These additional costs are beyond the amount available and received for all students enrolled in the local district (state membership allowance) and other support funds

received for the special education program (in general, state categorical aid). When variations occur in calculating the receipts received from the state, the balance is tipped and inequity results. To demonstrate the inequity created by the variation of using the state share of the state membership allowance in calculating receipts, a comparison is made between the two preceding illustrations for Districts X, Y, and Z. The analysis is based on money available to and received by the local school district in relation to the actual special education program costs. It is assumed that the ISD special education millage reimbursement is paid at 100%.

First, only the state share of membership as the receipt received from the state when calculating the special education millage reimbursement is used.

FUNDS AVAILABLE AND RECEIVED BY THE LOCAL SCHOOL DISTRICT
WHEN ONLY THE STATE SHARE OF MEMBERSHIP ALLOWANCE IS
USED IN CALCULATING RECEIPTS

	<u>District X</u> High Mill/ Low SEV	<u>District Y</u> Med. Mill/ Med. SEV	<u>District Z</u> Low Mill/ High SEV
1. Gross Membership Allowance (x 10)	\$25,400	\$22,200	\$19,000
2. State Categorical Aid	690	1,170	1,650
3. ISD Millage Reimbursement	<u>11,310</u>	<u>18,630</u>	<u>26,850</u>
Total Funds Available & Received	\$37,400	\$42,000	\$47,500
Minus Total Program Costs	<u>-30,000</u>	<u>-30,000</u>	<u>-30,000</u>
District Overpayment	\$ 7,400	\$12,000	\$17,500

Second, the total state membership allowance as the receipt received from the state when calculating the special education millage reimbursement is used.

FUNDS AVAILABLE AND RECEIVED BY THE LOCAL SCHOOL DISTRICT
WHEN THE TOTAL STATE MEMBERSHIP ALLOWANCE IS USED
IN CALCULATING RECEIPTS

	<u>District X</u> High Mill/ Low SEV	<u>District Y</u> Med. Mill/ Med. SEV	<u>District Z</u> Low Mill/ High SEV
1. Gross Membership Allowance (x 10)	\$25,400	\$22,200	\$19,000
2. State Categorical Aid	690	1,170	1,650
3. ISD Millage Reimbursement	<u>3,910</u>	<u>6,630</u>	<u>9,350</u>
Total Funds Available & Received	\$30,000	\$30,000	\$30,000
Minus Total Program Costs	<u>-30,000</u>	<u>-30,000</u>	<u>-30,000</u>
District Overpayment	0	0	0

The preceding comparison discloses the inequity created by using the state share of the gross membership allowance as the receipt received from the state when calculating the ISD special education millage reimbursement to local constituent school districts. In addition, this variation negates the intention of the power-equalization system adopted by the state.

The equalization formula was not designed to permit the children of high valuation districts to profit from, nor those from lower valuation districts to suffer from, the accident of their SEV.

Rather, it was designed to provide at least a minimum of financial support equality. (Mange, 1980, p. 17)

Special Education Rule 340.1806, titled "Local school district contribution,"

. . . recognizes this problem by requiring the contribution of a gross membership allowance from the sending district to the receiving district whenever non-resident pupils are served. While the principle is clearly recognized in this rule, there was no similar rule relating to reimbursement and receipt calculations for the ISD and its constituent districts until language was added in P.A. 94, 1979 under Section 56 (2). This language now requires a distribution plan requiring the deduction of . . . at least a membership aid gross allowance. (Mange, 1980, p. 17)

Special Education Rule 340.1811 (3), adopted in August 1980, requires that all operational reimbursement claims:

shall be calculated by subtracting from the total special education program or service costs all state and federal reimbursements, including the gross aid membership allowance and categorical aid. The net unreimbursed costs shall constitute the operational cost claim against intermediate school district special education tax funds. (Special Education Rule 430.1811 [3], in part)

Variations Due to Provisions of Law Not Being Followed

Some ISDs developed alternative methods for distributing special education millage funds to local constituent school districts.

In a few cases, ISD's have determined that constituent claims typically average a certain percentage of costs of salaries--or of some other figure. Rather than make the detailed calculations which might be done, they have opted to pay such a percentage to all constituent programs of the same type regardless of variations which might be present. Similarly, other ISD's have simply paid a flat dollar amount per classroom or supportive service program. Some intermediate school districts have adopted provisions which add an allowance for rental of facilities, even though rent is not charged. (Special Education Task Force Report, July 1977, p. 86)

Another variation that some ISDs adopted was to determine the amount of special education millage funds available and to distribute

these funds to local constituent districts on the basis of these districts' student membership counts.

The following statement brings into perspective the ISDs' varying practices for distributing special education millage funds to constituent school districts.

Although there are many reasons for adoption of these differing patterns, the fact remains that the widely varying practices of intermediate school district-local district reimbursement have caused considerable criticism, particularly from some who have attempted to assess the financial needs of intermediate and local school districts. If all handicapped pupils are to receive equality of educational service opportunity, it is likely that a single basic pattern of intermediate-local district reimbursement will be required. (Mange, 1980, p. 17)

As a consequence of the varying practices of ISDs in distributing special education millage funds to local constituent school districts, additional special education rules were added in August 1980 (Mange, 1980). These rules relate to the distribution of ISD special education millage funds to local constituent districts (Special Education Rule 340.1811) and the ISD use of special education millage funds (Special Education Rule 340.1812). These rules are presented in the last part of this chapter.

Special Education Task Force of 1977

In January 1977, at the direction of the Superintendent of Public Instruction, John W. Porter, and in cooperation with Donald C. Smith, Director of the Michigan Department of Mental Health, a 28-member Ad Hoc Task Force on special education was created. This group was charged with conducting a comprehensive assessment of the status of special education programs and services in Michigan since the passage

of the state's mandatory special education act (Public Act 198 of 1971) and with respect to the passage of the federal mandatory legislation, the Education of All Handicapped Children Act (Public Law 94-142 of 1975) (Special Education Task Force Report, July 1977). In response to the charge,

The Ad Hoc Task Force on Special Education focused its study on five major areas: legislation, law and rules; state leadership; delivery systems; perceptions of the field; and finance. A separate subcommittee was assigned to each area and was charged to review the area, conduct a needs assessment, and make appropriate recommendations. (Special Education Task Force Report, July 1977, p. 7)

The studies, reports, and recommendations of the subcommittees represented the collective thinking of the total membership of the Task Force.

Although five separate subcommittees within the Task Force were assigned specific areas of study, it is emphasized that the findings, conclusions, and recommendations of this report represent the consensus of the Task Force. This report should therefore be viewed as the collective thinking of all Task Force members. (Special Education Task Force Report, July 1977, p. 9)

The task force subcommittee on finance was charged to:

...identify problems and issues in funding special education programs and to provide recommendations for alternatives, solutions, or improvements in funding these programs. The subcommittee was also charged to provide a proposed rule for the utilization and/or distribution of intermediate school district funds to local districts. (Special Education Task Force Report, July 1977, p. 8)

The problem with the distribution of ISD special education millage funds to their local constituent school districts was identified in the text of the Task Force Report.

Section 317a of P.A. 198 requires intermediate school districts that have approved a special education tax levy to expend funds in accordance with rules promulgated by the State Board of Education.

To date, no special rules governing expenditure of funds in support of constituent district programs have been formulated or proposed by the Department of Education. The previous act (P.A. 18 of 1958) [sic], under which most such millages were adopted, contained language which required the intermediate school district to reimburse all nonreimbursed costs to the local district on a per capita cost basis. If funds were insufficient to pay all such costs, a like percentage was to be paid for each constituent district claim. This section of the law was not followed by many intermediate districts. Among other reasons for deviation was the fact that per capita costs could not be determined appropriately from the state cost report forms. Consequently, many variations in computing both costs and allowances to the constituent districts were adopted, and many continue at the present time. (Special Education Task Force Report, July 1977, p. 84)

After considerable study, discussion, and input from a finance advisory committee of educational practitioners responsible for ISD special education finance, the Task Force stated the following rationale for their recommendation of rules to govern the distribution and use of ISD special education millage funds:

Notwithstanding the legislative requirement that the state Board of Education promulgate rules concerning the distribution of Public Act 18 funds, it has declined to do so directly in deference to the clear desire of intermediate school districts to maintain considerable latitude in the utilization of these funds which they deem theirs. The result has been widely divergent systems for distribution of such funds, many based upon the differing needs and programs in particular intermediate school districts. While some distribution schemes are set forth in intermediate school district plans, most are not. In some segments of the special education community there are assertions of improper utilization of such funds in one fashion or another. In short, the perception, whether true or not, particularly from the legislative viewpoint, appears to be that it is difficult to lay hold of how those funds are distributed in terms of funding needs.

The Task Force requested a reluctant Finance Committee to consider the need for such a rule, and if needed, its general format. The advisory committee recommended certain restrictions, but as to all other aspects of utilization of such funds, chose to leave it to a committee of administrators to develop guidelines. Most notable in the recommendations of the advisory committee was that although it felt it essential that intermediate school districts [sic] retain sufficient flexibility in the distribution of those funds to meet

their individual needs, it was willing to provide that such distribution plans be placed in the intermediate school district plan and be approved by the State Board of Education. It was the intent of the Task Force to allow intermediate school districts the opportunity to develop a distribution scheme which fits their needs. At the same time, their plan and rationale should be placed in writing, specifically allowing the constituent school districts and parent advisory committees to be involved in the formation of such plan and provide for State Board approval of the result. Secondly, the Task Force desired to insure that with regard to those intermediate school districts that failed or refused to take steps to place the formula in their plan, the rule would provide the distribution scheme by way of default. It is believed that this approach will offer a degree of standardization that will improve the perceptions of financing and the manner in which such matters are handled at the ISD level.

Finally, it is hoped this, in conjunction with other matters now to be placed in ISD plans, will prompt their filing in a timely fashion, as well as a timely review by the Department and eventually by the State Board. (Special Education Task Force Report, July 1977, pp. 91-92)

The Task Force recommended that the following rules be adopted to govern the distribution and use of ISD special education millage funds.

IT IS RECOMMENDED THAT RULE 340.1802, USE OF INTERMEDIATE FUNDS, BE CHANGED AS FOLLOWS:

- (a) Funds available to intermediate and constituent school districts, as provided in Rule 101, may be used for the employment of teachers and other personnel; transportation of handicapped persons; the purchase and maintenance of equipment and supplies, the lease, purchase, construction, renovation, or acquisition of vehicles, sites, buildings or portions thereof, and equipment as deemed necessary for staff, programs, and services operated in accordance with the intermediate district plans as approved by the State Board of Education and other provisions of law.
- (b) Only those constituent district programs and services under a State Board approved intermediate school district special education plan and approved for reimbursement of costs from funds generated by adoption of millage under part 30, Sections 1723 and 1724 of the Michigan School Code.
- (c) Determination of special education program and service costs shall be based solely upon costs as reported and allowed by

the Michigan Department of Education. Costs of required transportation shall be included.

- (d) All operational reimbursement claims shall be based upon the added cost system. Claims shall be calculated by subtracting from total expenditures for each program or service type all reimbursements including the actual per pupil guarantee, categorical aid, and federal support. The net unreimbursed costs shall constitute the operational cost claim against ISD special education tax funds.
- (e) (1) When ISD special education tax funds are insufficient to reimburse constituent claims in full, a like percentage of the claim shall be paid for support of each program and service to each constituent district.

(2) Claims for operation of special education programs and services available to all constituent districts may be reimbursed in full prior to any pro rata payment which may become necessary for other programs and services.
- (f) When ISD special education personnel provide direct services to handicapped pupils in some but not all constituent districts and when pro rata payment of constituent district operational claims is necessary, the per capita deficit for each pupil served shall be paid by the district of residence.
- (g) ISD special education tax funds need not be paid for operational claim deficits from prior years.
- (h) Reasonable amounts may be retained by the ISD for cash flow purposes required to maintain special education programs and services operated by the ISD.
- (i) ISD's desiring to distribute funds in a manner other than as set forth under subsections c through f of Rule 340.1802 shall submit the desired method and the reasons therefor for approval as part of the ISD plan required under Part 30, Section 1711 (1)(a) of the Michigan School Code and shall be placed under section 3.1 of Part 3 of the ISD plan.

The essential elements, and in many cases the identical language, of the recommended rules to govern the distribution and use of ISD special education millage funds were included in Rules 340.1811 and 340.1812, which were added to the Special Education Rules in August 1980. The only major exception was that the recommendation to place

any alternative method "under Section 3.1 of Part 3 of the ISD plan" (Special Education Task Force Recommendation for Rule 340.1802 [1], in part) was not followed. This recommendation was that the section of the rules that listed the components of an ISD special education plan include a specific place for the inclusion of any alternative method and the rationale for desiring that method.

1980 Revision of the Special Education Rules

Following are the rules promulgated by the State Board of Education governing the distribution and use of ISD special education millage funds, which were added in the August 1980 revision of the Special Education Rules.

R 340.1811 Distribution of intermediate millage to constituent districts.

RULE 111. (1) Only those constituent district programs and services under a state board-approved, intermediate school district special education plan and approved for reimbursement by the department shall be eligible for reimbursement from funds generated by adoption of millage under sections 1723 and 17244 of Act No. 451 of the Public Acts of 1976, as amended being §§380.1723 and 380.1724 of the Michigan Compiled Laws.

(2) Determination of constituent district special education program and service costs as reported and allowed by the department which are in compliance with these rules. Costs of required transportation shall be included.

(3) All operational reimbursement claims shall be based upon the added cost system. Claims shall be calculated by subtracting from total special education program or service costs all state and federal reimbursements including the gross state aid membership allowance and categorical aid. The net unreimbursed costs shall constitute the operational cost claim against intermediate school district special education tax funds.

(4) When intermediate school district special education tax funds are insufficient to reimburse constituent claims in full, a like

percentage of the claim shall be paid for support of each program and service to each constituent district. Claims for operation of special education and services available to all constituent districts may be reimbursed in full before any prorated payment which may become necessary for other programs and services.

(5) Current intermediate school district special education tax funds need not be used to offset operational claim deficits from prior years.

(6) Amounts may be retained by the intermediate school district for required cash flow purposes not to exceed 1 year's operational expenses for the purpose of maintaining special education programs and services operated by the intermediate school district.

(7) Intermediate school districts desiring to distribute funds in a manner other than as set forth in subrules (2) to (4) of this rule and R 340.1812 shall submit the desired method and the reasons therefor for approval as part of the intermediate school district required under section 1711 of Act No. 451 of the Public Acts of 1976, as amended, being §380.1711 of the Michigan Compiled Laws.

R 340.1812 Intermediate school district's use of special education millage.

RULE 112. (1) Costs for the operation of special education programs and services by the intermediate school district, available to all constituent districts, may be reimbursed in full before the reimbursement of local districts from funds generated by adoption of millage under sections 1723 and 1724 of Act No. 451 of the Public Acts of 1976, as amended, being §380.1711 of the Michigan Compiled Laws.

(2) When intermediate school district special education personnel offer direct services to handicapped persons in some but not all constituent districts, and when prorated payment of constituent district operational claims is necessary, the per capita deficit for each student served shall be paid by the district of residence or a direct charge shall be made to the local district based on the amount of deficit and the proportion of time the local district received the service from the intermediate district.

CHAPTER III

PROCEDURES

Introduction

This study was designed to discover whether the Michigan Special Education Rules governing the distribution of ISD special education millage funds are being followed and to determine what the State Department of Education has been doing to ensure compliance with these provisions. The purpose was to learn whether constituent school districts and their handicapped students have been treated in accord with applicable regulations for financial support both within and among ISDs and to generate empirical evidence that could affect future policy decisions. An additional purpose was to examine any reported ISD alternative support systems as they may affect equity in the distribution of support funds.

Population

All 56 ISDs in Michigan that had adopted a special education millage were included in the study. Because two ISDs combined to form one special education cooperative, the population comprised 55 ISDs.

Research Questions

Following are the research questions and the subsidiary questions for this study.

Research Question 1: Have ISDs been following Michigan Special Education Rules 340.1811 and 340.1812, which govern the distribution of special education millage funds?

Subsidiary Question 1a: How many ISDs have not included an alternative method for distributing special education millage funds within their special education plans?

Subsidiary Question 1b: For ISDs that did not include an alternative method for distributing special education millage funds within their special education plans, how many were following Rule 340.1811, subrules (2), (3), and (4), as required?

Subsidiary Question 1c: How many ISDs included an alternative method for distributing special education millage funds within their special education plans?

Subsidiary Question 1d: For ISDs that included an alternative method for distributing special education millage funds within their special education plans, how many included the reasons for desiring the alternative method, as required by Rule 340.1811, subrule (7)?

Subsidiary Question 1e: For ISDs that included an alternative method for distributing special education millage funds within their special education plans, how many of the methods presented were operationally interpretable to the extent that the information provided was sufficient to allow the distribution system to be calculated and followed as written?

Subsidiary Question 1f: For ISDs that included an alternative method for distributing special education millage funds within their special education plans, how many were following the alternative method as written?

Subsidiary Question 1g: How many ISDs were following Rule 340.1812, subrules (1) and (2)?

Research Question 2: How do the different types of alternative methods used by ISDs to distribute special education millage funds to constituent school districts, and any reasons given in their special education plans for so doing, relate to the system of equity embodied within Michigan Special Education Rule 340.1811, subrules (2), (3), and (4)?

Subsidiary Question 2a: How many different types of alternative methods were used by ISDs for distributing special education millage funds?

Subsidiary Question 2b: How do the different types of alternative methods used by ISDs for distributing special education millage funds relate to the system of equitable distribution embodied within Rule 340.1811, subrules (2), (3), and (4)?

Subsidiary Question 2c: How do the reasons given for using an alternative method relate to the equitable distribution of these funds as embodied within Rule 340.1811, subrules (2), (3), and (4)?

Research Question 3: What was the effect of any discrepancies by ISDs in following Michigan Special Education Rule 340.1812 as related to the principle of equitable distribution?

Subsidiary Question 3a: How many ISDs were not following Rule 340.1812, subrules (1) and/or (2)?

Subsidiary Question 3b: How is the principle of equitable distribution affected by ISDs, if any, that were not following Rule 340.1812, subrules (1) and/or (2)?

Research Question 4: What has the Michigan Department of Education done to ensure that ISDs follow Michigan Special Education Rules 340.1811 and 340.1812, which govern the distribution and use of special education millage funds?

Subsidiary Question 4a: What criteria were used by the Michigan Department of Education to approve or disapprove alternative methods for distributing special education millage funds that had been submitted for approval (Rule 340.1811 [7]) as part of an ISD special education plan?

Subsidiary Question 4b: What monitoring activities have been undertaken by the Michigan Department of Education to ensure that ISDs were in compliance with Rules 340.1811 and 340.1812, which govern the distribution of special education millage funds?

Design of the Study

The study was designed to discover the manner in which ISD special education millage funds are disbursed to constituent school districts, and to determine what has been done by the Michigan Department of Education to ensure that rules governing the distribution of these funds are followed. The design included the following procedures.

1. The 55 ISD special education plans for the 1984-85 school year were reviewed. These plans were obtained from the Special Education Services offices of the Michigan Department of Education, as a copy of each plan is kept on file and available for public inspection. If a plan contained any information about the manner in which special education millage funds were to be distributed, that information was copied and filed for later analysis.
2. The information collected from the ISD special education plans was examined, and the findings were recorded on a data-collection form (Appendix E). To maintain the anonymity of individual ISDs, code numbers were assigned and used to mask separate identities. For each ISD, either a Y (yes) or an N (no) was recorded to indicate whether any information was included within its special education plan concerning the manner in which special education millage funds were to be distributed. For each ISD that included information within its plan, a determination was made by examining the information provided, whether Michigan Special Education Rule 340.1811, subrules (2), (3), and (4) were being followed. This was indicated by recording a Y (yes) or an N (no) on the data-collection form. If an N response was recorded for any of the three subrules, it was assumed that the ISD was using an alternative method for distributing special education millage funds. If a Y response was recorded for each of the three subrules, it was assumed that the ISD was not using an alternative method for distributing special education

millage funds. If the ISD indicated it did not reimburse constituent school districts, an NR (no reimbursement) was recorded for each of the subrules, and the method was not determined to be an alternative. If an alternative method was used, it was recorded on the data-collection form by either a Y or an N. A coding of Y or N was also recorded to indicate whether a plan that contained an alternative method included reasons for so doing, and whether the method was operationally interpretable as written. To be considered operationally interpretable, the information provided had to be sufficient to allow the distribution system to be calculated and followed as written.

3. The forms used to calculate a constituent school district's claim on the special education fund were requested from each ISD for analysis purposes. Directors of special education of each ISD received a letter (Appendix F) explaining the purpose of the study and requesting a copy of all forms used to calculate a constituent district's claim on the special education millage fund. A stamped and addressed envelope was enclosed for returning the claim forms. Also noted in the letter was that an abstract of the report of the study would be mailed to those who returned an enclosed Abstract Request Form (Appendix G). The Michigan Department of Education Director of Special Education was sent a copy of the letter to inform him of the nature and scope of the study. If a response was not received in 20 days, a telephone call was made to the respective ISD special education director, or a designee, to discuss the

purpose of the study and again request a copy of the forms used to calculate a local school district's claim on the special education millage fund. If there appeared to be resistance to sending information, or if it was stated that the method was not available in writing, a verbal explanation of the procedures was requested. Written notes were made of any verbal explanation received, and the information was summarized and sent to the respondent in a follow-up letter; the respondent was asked to reply if any misinformation was noted. All claim forms received, or the written notes and response letters, were filed for later analysis.

4. The information received from each ISD was examined, and the findings were recorded on a data-collection form (Appendix H). As before, to maintain the anonymity of individual ISDs, the same code numbers were used to mask separate identities. Recorded for each ISD were the nature of the information received; whether a follow-up letter had been sent; and whether an abstract of the study had been requested, as well as the date the abstract was mailed to the requesting party.

The information was examined to determine whether the ISD was following Michigan Special Education Rule 340.1811, subrules (2), (3), and (4). The same procedures were followed as were used to evaluate the information contained in the ISD special education plans (see p. 51). A notation was also made to indicate whether an alternative method was included within their special education plan

and (b) whether they included the required reasons for desiring to use an alternative method.

The information received was also examined to determine whether the ISD was following Rule 340.1812, subrules (1) and (2). Subrule (2) applies only to ISDs that have the same types of staff with the same types of functions employed by both the ISD and at least one constituent school district.

5. A letter (Appendix I) was sent to the Michigan Department of Education Director of Special Education requesting an interview with him or a designee. The letter explained the purpose of the study and stated the two main questions for the interview, which were:
 - a. What criteria are used to approve or disapprove an alternative method for distributing special education millage funds that has been submitted for approval in an ISD special education plan?; and
 - b. What monitoring activities are undertaken by the Michigan Department of Education to ensure that ISDs are following the Michigan Special Education Rules governing the distribution of special education millage funds?

A call was made to the State Director of Special Education seven days after he had been sent the letter to arrange the interview. The content of the interview was recorded in writing and then summarized in a follow-up letter that requested a response to any misinformation. The written record of the interview and the letter of summary were filed for later analysis.

6. If any additional information or clarification was needed, a telephone call was made to the person(s) who had provided the information received.

To summarize, the above procedures were designed to provide information about the manner in which ISD special education millage funds were being distributed to constituent school districts, and to determine what the Michigan Department of Education was doing to ensure that the rules governing the distribution of ISD special education millage funds are followed. In brief, this was accomplished by:

1. Reviewing ISD special education plans;
2. Collecting the forms used, or a verbal response concerning the methods used by ISDs to calculate the constituent school district's claim on the ISD special education millage fund;
3. Interviewing the Michigan Department of Education Director of Special Education (or a designee); and
4. Seeking additional information, as needed, by telephoning the person(s) who had provided the data received.

Limitations

The study has several limitations, which should be clearly noted and include the following.

1. This study was limited to an analysis of yearly operational funds only provided through state and local sources for the education of handicapped children. Excluded from study were state and local funds provided for student transportation and capital outlay, and

all federal funds received for the education of handicapped children.

2. This study was limited in the evaluation of Michigan Special Education Rule 340.1811 as only subrules (2), (3), (4), and (7) were included. Practices under subrules (1), (5), and (6) were thought to vary little, if at all, and thus were excluded from study.
3. This study was limited by the accuracy of the information contained within ISD special education plans for the 1984-85 school year.
4. This study was limited by the accuracy of the data provided by ISDs.
5. This study was limited by the accuracy of the data provided by the State Department of Education.

CHAPTER IV

ANALYSIS AND INTERPRETATION OF THE DATA

Introduction

In this chapter, the results are reported in a format that answers the four major research questions for this study. The research questions and their related subsidiary questions are stated in sequence, as listed in Chapter III. To assist the reader, each research question is followed by a brief rationale concerning the intention of the inquiry. For each subsidiary question, the findings are presented in a descriptive format that includes tables, figures, and discussion. Additional findings pertaining to a research question that do not respond to one of the subsidiary questions are presented after the findings for a set of subsidiary questions have been reported.

Results

Research Question 1

Have ISDs been following Michigan Special Education Rules 340.1811 and 340.1812, which govern the distribution of special education millage funds?

Intention of Inquiry

The intention of this inquiry was to learn whether special education millage funds were being distributed equitably, as required by the

Michigan Special Education Rules. Rules 340.1811 and 340.1812 were designed to ensure equity in the distribution of special education millage funds, both among and within ISDs. If the rules were being followed, it would be assumed that equity in the distribution of special education millage funds would be achieved. If the rules were not being followed, further analysis would be required to determine whether the variant practices employed by ISDs led to the equitable distribution of such funds.

Subsidiary Question 1a. How many ISDs have not included an alternative method for distributing special education millage funds within their special education plans?

Findings. Rule 340.1811, subrules (2), (3), and (4), state the method ISDs should use in distributing special education millage funds to constituent school districts. Rule 340.1811, subrule (7), allows an ISD to use an alternative method for distributing special education millage funds to constituent school districts if the alternative method and the reasons for using it are submitted for approval as part of the district's special education plan. Therefore, ISDs that have not included an alternative method for distributing special education millage funds within their special education plans are required to follow Rule 340.1811, subrules (2), (3), and (4), when distributing these funds to constituent school districts.

The 55 ISD special education plans for 1984-85 were reviewed, and the findings are presented in Table 2. Of the 55 plans, 33 contained no information about the distribution of special education millage funds and 22 contained such information. The information contained in the 22

Table 2.--Information submitted in 1984-85 ISD special education plans concerning the distribution of special education millage funds.

	District Code Number																				
	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21
Information submitted	N	N	N	N	N	N	Y	Y	N	N	Y	N	Y	Y	N	N	N	N	N	Y	N
Followed:																					
R 340.1811(2)							N	Y			Y		NR	Y						N	
R 340.1811(3)							Y	Y			N		NR	Y						Y	
R 340.1811(4)							Y	Y			N		NR	N						Y	
Alternative method	N	N	N	N	N	N	Y	N	N	N	Y	N	N	Y	N	N	N	N	N	Y	N
Reasons given							N				N			N						N	
Operationally interpretable							Y				Y			Y						Y	

	District Code Number																				
	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42
Information submitted	N	N	N	Y	N	N	Y	Y	N	Y	Y	Y	N	N	N	N	N	N	Y	Y	Y
Followed:																					
R 340.1811(2)				Y			N	N		N	N	Y							Y	N	Y
R 340.1811(3)				N			Y	N		Y	Y	Y							Y	Y	Y
R 340.1811(4)				N			Y	N		Y	Y	Y							N	Y	Y
Alternative method	N	N	N	Y	N	N	Y	Y	N	Y	Y	N	N	N	N	N	N	N	Y	Y	N
Reasons given				Y			N	Y		N	N								N	N	
Operationally interpretable				Y			Y	Y		Y	Y								Y	N	

	District Code Number													Summary Data			
	43	44	45	46	47	48	49	50	51	52	53	54	55	Yes	No	NR	TOTALS
Information submitted	Y	Y	N	N	N	Y	N	Y	N	Y	Y	N	Y	22	33		55
Followed:																	
R 340.1811(2)	Y	Y				N		N		N	N		N	9	12	1	22
R 340.1811(3)	Y	N				Y		N		N	N		N	13	8	1	22
R 340.1811(4)	Y	Y				Y		N		Y	Y		N	14	7	1	22
Alternative method	N	Y	N	N	N	Y	N	Y	N	Y	Y	N	Y	17	38		55
Reasons given		N				N		N		N	N		N	2	15		17
Operationally interpretable		Y				Y		Y		Y	N		Y	15	2		17

Y = Yes, N = No, NR = No Reimbursement

plans was examined to discover whether the methods, as presented, followed or differed from the methods of distributing special education millage funds specified in Rule 340.1811, subrules (2), (3), and (4). If the methods followed all three subrules, it was judged that an alternative method was not being used. If the methods differed from one or more of the three subrules, an alternative method was apparently being used. The results of this analysis indicated that, of the 22 methods presented within special education plans, five followed all three subrules (Districts 08, 13, 33, 42, and 43), and were not alternative methods. One ISD (District 13) described a method in which constituent school districts were not reimbursed; this practice was classified as one of the five nonalternative methods.

Adding the five ISDs that included a nonalternative method in their special education plans to the 33 districts that included no information in their special education plans yielded a total of 38 ISDs that did not include an alternative method within their special education plans. These 38 ISDs were required to follow Rule 340.1811, subrules (2), (3), and (4), when distributing special education millage funds to constituent school districts. The results of the analysis of the 1984-85 ISD special education plans are shown in Figure 1.

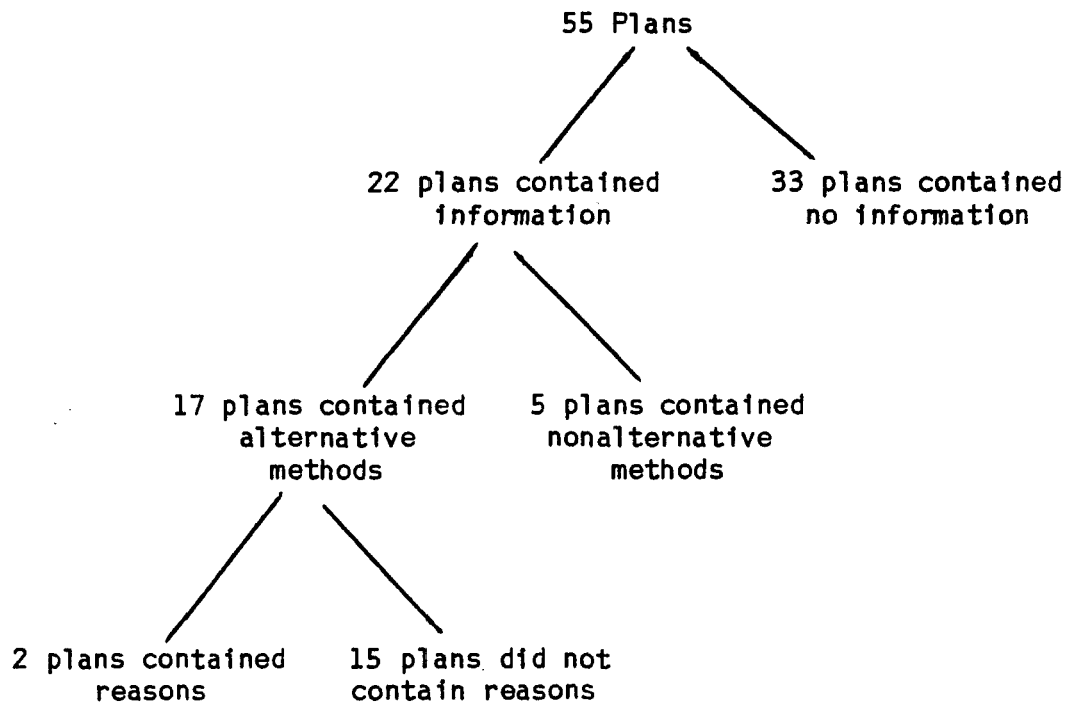


Figure 1.--Illustration of the analysis of the 55 ISD special education plans for 1984-85.

Subsidiary Question 1b. For ISDs that did not include an alternative method for distributing special education millage funds within their special education plan, how many were following Rule 340.1811, subrules (2), (3), and (4), as required?

Findings. As noted under Subsidiary Question 1a, 38 ISDs did not include an alternative method within their 1984-85 special education plans. By not including an alternative method and the reasons therefor within their special education plan, as allowed in Rule 340.1811, subrule (7), an ISD is required, when distributing special education

millage funds to constituent school districts, to follow the distribution methods specified in Rule 340.1811, subrules (2), (3), and (4).

The data collected from ISDs concerning the actual methods used to distribute special education millage funds to constituent school districts were examined to discover whether the methods differed from or followed Rule 340.1811, subrules (2), (3), and (4), and Rule 340.1812, subrules (1) and (2). These results are reported in Table 3.

Fifty-two ISDs provided the information necessary to participate in this study; three districts (Districts 05, 39, and 45) did not provide such information. By comparing Table 3 with Table 2, it can be seen that the three ISDs which did not provide information for this study also did not include an alternative method within their 1984-85 special education plans. Thus, it was impossible to discover whether these three districts were following the special education rules. Subtracting the three nonparticipating ISDs from the 38 that did not include an alternative method in their special education plan left 35 districts for which the necessary information was received to determine whether the subrules were being followed.

Of the 35 remaining districts, 13 did not reimburse constituent school districts, and the question of following Rule 340.1811, subrules (2), (3), and (4) did not apply. Subtracting these 13 ISDs for which the distribution rules did not apply left 22 ISDs that (a) did not include an alternative method within their special education plans, (b) supplied the necessary information to participate in this study,

Table 3.--Information received from ISDs concerning the distribution of special education millage funds.

	District Code Number																				
	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21
Followed:																					
R 340.1811(2)	N	N	Y	NR	?	Y	N	Y	Y	NR	Y	Y	NR	Y	NR	Y	N	N	NR	N	NR
R 340.1811(3)	N	N	Y	NR	?	Y	Y	Y	Y	NR	N	Y	NR	Y	NR	N	N	Y	NR	N	NR
R 340.1811(4)	N	N	Y	NR	?	Y	Y	Y	Y	NR	N	Y	NR	N	NR	Y	N	Y	NR	Y	NR
Alternative method	Y	Y	N	NA	?	N	Y	N	N	NA	Y	N	NA	Y	NA	Y	Y	Y	NA	Y	NA
Presented in plan	N	N	NA	NA	?	NA	Y	NA	NA	NA	Y	NA	NA	Y	NA	N	N	N	NA	Y	NA
Reasons given	N	N	NA	NA	?	NA	N	NA	NA	NA	N	NA	NA	N	NA	N	N	N	NA	N	NA
Followed:																					
R 340.1812(1)	Y	Y	Y	NA	?	Y	Y	Y	Y	NA	Y	Y	NA	Y	NA	Y	Y	Y	NA	Y	NA
R 340.1812(2)	NA	NA	Y	N	?	Y	N	Y	Y	NA	Y	Y	NA	N	NA	NA	NA	Y	NA	N	NA

	District Code Number																				
	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42
Followed:																					
R 340.1811(2)	NR	N	N	Y	NR	N	N	N	N	N	N	N	NR	N	Y	NR	NR	?	Y	N	NR
R 340.1811(3)	NR	N	Y	N	NR	Y	Y	N	N	N	Y	N	NR	N	N	NR	NR	?	Y	Y	NR
R 340.1811(4)	NR	Y	Y	N	NR	Y	Y	N	N	Y	Y	Y	NR	N	Y	NR	NR	?	N	Y	NR
Alternative method	NA	Y	Y	Y	NA	Y	Y	Y	Y	Y	Y	Y	NA	Y	Y	NA	NA	?	Y	Y	NA
Presented in plan	NA	N	N	Y	NA	N	Y	Y	N	Y	Y	N	NA	N	N	NA	NA	?	Y	Y	NA
Reasons given	NA	N	N	Y	NA	N	N	Y	N	N	N	N	NA	N	N	NA	NA	?	N	N	NA
Followed:																					
R 340.1812(1)	NA	Y	Y	Y	NA	Y	Y	Y	Y	Y	Y	Y	NA	Y	Y	NA	NA	?	Y	Y	NA
R 340.1812(2)	NA	NA	NA	Y	NA	NA	NA	NA	NA	NA	NA	NA	Y	N	NA	NA	NA	?	N	Y	N

	District Code Number													Summary Data					
	43	44	45	46	47	48	49	50	51	52	53	54	55	Y	N	NR	NA	?	TOTAL
Followed:																			
R 340.1811(2)	Y	Y	?	Y	Y	N	NR	N	N	N	N	Y	N	16	23	13	--	3	35
R 340.1811(3)	N	N	?	Y	N	Y	NR	N	N	Y	N	Y	N	18	21	13	--	3	55
R 340.1811(4)	Y	Y	?	Y	Y	Y	NR	N	N	Y	Y	N	N	25	14	13	--	3	55
Alternative method	Y	Y	?	N	Y	Y	NA	Y	Y	Y	Y	Y	Y	33	6	--	13	3	55
Presented in plan	N	Y	?	NA	N	Y	NA	Y	N	Y	Y	N	Y	17	16	--	19	3	55
Reasons given	N	N	?	NA	N	N	NA	N	N	N	N	N	N	2	31	--	19	3	55
Followed:																			
R 340.1812(1)	Y	Y	?	Y	Y	Y	NA	Y	Y	Y	Y	Y	Y	39	0	--	13	3	55
R 340.1812(2)	NA	N	?	NA	NA	N	NA	NA	N	NA	NA	Y	NA	11	10	--	31	3	55

Y = Yes, N = No, NA = Not Applicable, NR = No Reimbursement, ? = Information Not Provided

and (c) were required to follow Rule 340.1811, subrules (2), (3), and (4).

For the remaining 22 ISDs that were required to follow Rule 340.1811, subrules (2), (3), and (4), 16 did not follow one or more of the subrules (see Table 4). Therefore, only six (Districts 03, 06, 08, 09, 12, and 46) of the 22 ISDs that were required to follow the rules were complying with the provisions. This is shown in Figure 2.

No.	Description
38	The number of ISDs that did not include an alternative method in their 1984-85 special education plans.
- 3	The number of the 38 ISDs above that did not provide information to allow for a determination of their special education millage distribution methods.
-13	The number of the 38 ISDs above that did not reimburse constituent school districts; thus the question concerning their distribution method did not apply.
22	The number of ISDs participating in this study that were required to follow the distribution system in the rules because an alternative method was not included within their special education plan.
-16	The number of the 22 ISDs above that did not follow the required distribution system in the rules.
6	The number of the 22 ISDs above that were following the required distribution system in the rules.

Figure 2.--ISDs by omission of alternative-distribution methods in their special education plans and compliance with Rule 340.1811, subrules (2), (3), and (4).

Table 4.--ISDs reporting alternative distribution methods not included within their special education plans.

	District Code Number																Total
	01	02	16	17	18	23	24	27	30	33	35	36	43	47	51	54	
<u>Varied from:</u>																	
Rule 340.1811(2)	X	X		X	X	X	X	X	X	X	X				X		11
Rule 340.1811(3)	X	X	X	X		X			X	X	X	X	X	X	X		12
Rule 340.1811(4)	X	X		X					X		X				X	X	7

Subsidiary Question 1c. How many ISDs included an alternative method for distributing special education millage funds within their special education plans?

Findings. As discussed in the findings for Subsidiary Question 1a, 22 of the 55 ISD special education plans included information concerning the distribution of special education millage funds. Of these 22 plans, five contained methods that followed the method of distribution in Rule 340.1811, subrules (2), (3), and (4), and were not classified as alternative methods; 17 plans contained methods that did not follow at least one of subrules (2), (3), and (4) of Rule 340.1811. Therefore, 17 ISD special education plans included an alternative method for distributing special education millage funds. These findings are reported in Table 2 and are shown in Figure 1.

Subsidiary Question 1d. For ISDs that included an alternative method for distributing special education millage funds within their special education plans, how many included the reasons for desiring the alternative method, as required by Rule 340.1811, subrule (7)?

Findings. As reported in Table 2 and shown in Figure 1, only two of the 17 ISD special education plans that contained an alternative method for distributing special education millage funds included the reasons for so doing.

Subsidiary Question 1e. For ISDs that included an alternative method for distributing special education millage funds within their special education plans, how many of the methods presented were operationally interpretable to the extent that the information provided was sufficient to allow the distribution system to be calculated and followed as written?

Findings. As presented under Subsidiary Question 1c, 17 ISDs included an alternative method for distributing special education millage funds within their special education plans. The information contained in the special education plans describing the alternative methods varied markedly in both the quality and quantity of the material presented. In many instances the wording was vague and open to several interpretations. The researcher used a "benefit of doubt" principle in examining the material presented to learn whether the material was operationally interpretable. For example, if a district stated that a "membership" was subtracted from the allowed costs, it was assumed that the "gross membership allowance" times the number of full-time equivalent (FTE) students served was subtracted from the allowable program costs. (However, this assumption was found to be incorrect in two cases, Districts 20 and 44, as noted in findings for Subsidiary Question 1f.) Using the "benefit of doubt" principle, 2 of the 17 alternative methods provided insufficient information to allow the distribution system to be calculated. Therefore, 15 of the 17 methods presented were classified as operationally interpretable to the extent that the information provided would allow for calculating and following the distribution system as written. These findings are reported in Table 2.

Subsidiary Question 1f. For ISDs that included an alternative method for distributing special education millage funds within their special education plans, how many were following the alternative method as written?

Findings. As discussed under Subsidiary Question 1e, 2 of 17 alternative methods for distributing special education millage funds to constituent school districts included within 1984-85 ISD special education plans were considered not to be operationally interpretable, and therefore cannot be followed. This left 15 alternative methods that could possibly be followed. The 15 methods were individually evaluated to determine whether the alternative method was being followed as written in the respective special education plan. Of the 15 alternative methods, five (Districts 07, 20, 31, 32, and 44) were not being followed as written. Differences were discovered in methods used to determine allowed costs (Districts 07 and 32), calculation of membership receipts (Districts 07, 20, and 44), and calculation of state categorical aid receipts (District 31). Therefore, only 10 of the 17 alternative methods included in 1984-85 special education plans were considered to be followed as written.

Subsidiary Question 1g. How many ISDs were following Rule 340.1812, subrules (1) and (2)?

Findings. Rule 340.1812, subrules (1) and (2), govern the use of special education millage funds for programs and services operated by an ISD. Subrule (1) allows an ISD to pay its total costs for operating programs and services on behalf of and available to all constituent school districts first, before reimbursing constituent school districts for the programs and services they operate. Subrule (2) requires an ISD that prorates payments to constituent school districts and provides direct services to handicapped students in some, but not all,

constituent school districts to bill the resident districts of the student(s) served for their proportionate share of the cost. An alternative to billing constituent school districts, when the ISD provides direct service in some, but not all, constituent school districts would be to pay the full unreimbursed costs of any given type of program or service provided by both the constituent school district and the ISD first, before prorating the payment for other types of constituent school district special education programs and services. This alternative is allowed by Rule 340.1811, subrule (4). For example, an ISD provides social worker services to all constituent school districts except one. Rather than billing all the constituent districts, except that one, for their proportionate share of the costs for social worker services, the ISD might elect to pay the full unreimbursed costs of social worker services in the one district operating its own program, before prorating the payment for other constituent school district programs and services. In this case, the social worker program would be considered a program available to all constituent school districts, and the full unreimbursed costs for the program may be paid first, before prorating other constituent district special education programs.

Subrule (1) was followed by all ISDs for which it was applicable. Of the 52 participating ISDs, 13 did not reimburse constituent districts and subrule (1) did not apply. The remaining 39 ISDs all followed the option allowed in subrule (1).

Subrule (2) applies only where ISD staff provide services in some, but not all, constituent school districts. Of the 52 participating

ISDs, 31 provided only those services that were not provided by their constituent school districts. This left 21 ISDs that were required to follow Subrule (2). Of those 21 ISDs, 10 were not following this subrule because they were paying the full costs of staff who provided programs and services to handicapped students in some local districts, but prorated the support of staff who provided these same services in other local districts. Therefore, only 11 of the 21 ISDs required to follow subrule (2) were doing so. These findings are reported in Table 3.

Additional Findings for Research Question 1

Rule 340.1811, subrule (1), stipulates that special education millage funds be used solely for the support of special education programs and services. When designing this study, it was anticipated that all ISDs were complying with subrule (1), and the study was not specifically designed to discover whether this provision was being followed. However, in the process of data collection and analysis, it was discovered that four ISDs (Districts 23, 31, 43, and 53) were using special education millage funds to pay all or part of what the state "recaptured" from their "out-of-formula" constituent school districts by reducing state categorical aid payments.

In brief, some school districts, which have been termed out-of-formula school districts, receive more revenue per student and per mill levied than do other school districts because of a higher state equalized valuation (SEV) per student for the school district. When the per

student amount raised from local school district property taxes exceeds the state-determined and guaranteed per student "gross membership allowance," a school district is said to be out-of-formula. Some out-of-formula districts receive two or three times the revenue per student as do in-formula districts, even with lower millage rates. The state legislature determined this to be an unfair advantage and decided to "recapture" two-thirds of the amount that exceeded a district's gross membership allowance. Rather than directly billing the out-of-formula districts for this amount, the state elected to subtract the excess amount (phased in over a period of several years) from payments already made to these districts in state categorical aid programs, of which special education is the largest. To be clear, what the state is recapturing from the out-of-formula districts by reducing the special education categorical payment is intended to be a recapture from the general fund revenues of the district, rather than reduction in support for the special education program. It was simply thought to be a desirable alternative to directly billing the out-of-formula district. However, at least four ISDs, perhaps because of political pressures or through misunderstanding, are using earmarked special education millage funds to replace all or part of what is being recaptured from the state special education categorical payments to their out-of-formula districts.

As indicated above, at least four ISDs were involved in this practice. This fact is emphasized because the question of whether subrule (1) of Rule 340.1811 was being followed was not specifically

studied, and the four ISDs that were discovered incidentally should be considered a minimum. Even though this practice was discovered in just four ISDs, it involves large sums of money. For example, in one ISD for which the researcher received specific data, \$169,245 of earmarked special education millage money was paid to one out-of-formula constituent district to replace a portion of the amount recaptured from this district by reducing the state special education categorical aid payment.

The practice of an ISD using special education millage funds to pay all or a portion of what the state is recapturing from its out-of-formula constituent school districts was also considered a variation of the method outlined in the distribution rules for calculating receipts received from the state, Rule 340.1811, subrule (3). The four ISDs following this practice were determined not to be following the provisions of this subrule. The question of equity in the distribution of special education millage funds for ISDs following this practice was addressed as a variation of Rule 340.1811, subrule (3), and is discussed under Research Question 2, Subsidiary Question 2b.

In summary, at least four ISDs have been using voter-earmarked special education millage funds to replace all or part of what the state is recapturing from the general revenue funds of their out-of-formula school districts by reducing state special education categorical aid payments. This is unquestionably a violation of Rule 340.1811, subrule (1), which requires special education millage funds to be used solely for the support of special education programs and services.

Summary Discussion of Findings
for Research Question 1

Michigan Special Education Rules 340.1811 and 340.1812 govern the distribution of ISD special education millage funds to constituent school districts and the use of these funds for programs operated by the ISD. The rules were designed to ensure that special education millage funds would be distributed equitably both among and within ISDs. The purpose of Research Question 1 was to discover how many ISDs were following Rules 340.1811 and 340.1812.

Rule 340.1811, subrules (2), (3), and (4), details the method ISDs should use when distributing special education millage funds to constituent school districts. Subrule (7) of Rule 340.1811 allows an ISD to use an alternative method for distributing special education millage funds to constituent school districts if the alternative method and the reasons therefor are submitted for approval as part of the ISD's special education plan.

Of the 52 ISDs that participated in this study, 13 did not reimburse constituent school districts and Rule 340.1811, subrules (2), (3), (4), and (7), did not apply. Of the remaining 39 ISDs, six reported methods that followed distribution subrules (2), (3), and (4) of Rule 340.1811, and 33 reported methods that did not follow at least one of these subrules and were classified as alternative methods. Of the 33 ISDs that used an alternative method, only 17 included information concerning their distribution method within their special education plan, as required by Rule 340.1811, subrule (7). Problems were also noted in the written descriptions of the alternative methods, and

it was discovered that only 10 of the 17 alternative methods were being followed as written. Only 2 of the 17 alternative methods included within the ISD special education plans contained the required reasons for using an alternative method.

Thus, six ISDs followed the distribution method set forth by Rule 340.1811, subrules (2), (3), and (4), and two followed the requirements for using an alternative method, as allowed by Rule 340.1811, subrule (7). Therefore, of the 39 ISDs that were required to follow Rule 340.1811, subrules (2), (3), and (4), or subrule (7), only eight were following the required provisions.

Rule 340.1812 regulates the use of special education millage funds for ISDs when they operate special education programs and services in some, but not all, constituent school districts. Subrules (1) and (2) of Rule 340.1812 require that the same level of financial support be provided for a special education program whether the program is operated by the ISD or a constituent school district. Of the 52 ISDs that participated in this study, 31 provided only those services that were not provided by constituent school districts; therefore, Rule 340.1812 did not apply. Of the remaining 21 ISDs that were required to comply with Rule 340.1812, only 11 followed the required provisions.

In conclusion, of the 52 ISDs that participated in this study, 39 were required to follow Rule 340.1811, subrules (2), (3), and (4) or subrule (7), and 21 were required to follow Rule 340.1812. Of the 21 ISDs required to follow Rule 340.1812, 18 were included in the count of the 39 required to follow Rule 340.1811, subrules (2), (3), and (4) or

subrule (7) and three (Districts 14, 34, and 42) were excluded because they did not reimburse constituent school districts. (Only one of these three, District 34, was following the provisions of Rule 340.1812.) Adding the three ISDs to the 39 above, it was found that 42 of the 52 ISDs participating in this study were required to follow Rules 340.1811, subrules (2), (3) and (4) or subrule (7), and/or 340.1812. Of these 42 ISDs, only nine were following the required rules governing the distribution of ISD special education millage funds to constituent school districts.

These findings are reported in Table 5, which is a summary table of the ISDs that were following and not following Rules 340.1811 and 340.1812.

Research Question 2

How do the different types of alternative methods used by ISDs to distribute special education millage funds to constituent school districts, and any reasons given in their special education plans for so doing, relate to the system of equity embodied within Michigan Special Education Rule 340.1811, subrules (2), (3), and (4)?

Intention of Inquiry

The ISD special education millage raises voter-approved additional millage support that is earmarked for special education programs and services for all handicapped children residing within the ISD. The general purpose of a distribution method used by an ISD is to transfer the funds raised from the special education millage levy to constituent school districts to reimburse all or a portion of their additional costs for providing special education programs and services.

Table 5.--Information received from ISDs and submitted within their special education plans pertaining to Rules 340.1811 and 340.1812.

	District Code Number																				
	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21
Followed rules	N	N	Y	N	?	Y	N	Y	Y	NA	N	Y	NA	N	NA	N	N	N	NA	N	NA
Subrules followed:																					
R 340.1811(2)	N	N	Y	NR	?	Y	NA	Y	Y	NR	NA	Y	NR	NA	NR	Y	N	N	NR	NA	NR
R 340.1811(3)	N	N	Y	NR	?	Y	NA	Y	Y	NR	NA	Y	NR	NA	NR	N	N	Y	NR	NA	NR
R 340.1811(4)	N	N	Y	NR	?	Y	NA	Y	Y	NR	NA	Y	NR	NA	NR	Y	N	Y	NR	NA	NR
R 340.1811(7)	N	N	NA	NA	?	NA	YN	NA	NA	NA	YN	NA	NA	YN	NA	N	N	N	NA	YN	NA
R 340.1812(1)	Y	Y	Y	NA	?	Y	Y	Y	Y	NA	Y	Y	NA	Y	NA	Y	Y	Y	NA	Y	NA
R 340.1812(2)	NA	NA	Y	N	?	Y	N	Y	Y	NA	Y	Y	NA	N	NA	NA	NA	Y	NA	N	NA

	District Code Number																				
	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42
Followed rules	NA	N	N	Y	NA	N	N	Y	N	N	N	N	Y	N	N	NA	NA	?	N	N	N
Subrules followed:																					
R 340.1811(2)	NR	N	N	NA	NR	N	NA	NA	N	NA	NA	N	NR	N	Y	NR	NR	?	NA	NA	NR
R 340.1811(3)	NR	N	Y	NA	NR	Y	NA	NA	N	NA	NA	N	NR	N	N	NR	NR	?	NA	NA	NR
R 340.1811(4)	NR	Y	Y	NA	NR	Y	NA	NA	N	NA	NA	Y	NR	N	Y	NR	NR	?	NA	NA	NR
R 340.1811(7)	NA	N	N	Y	NA	N	YN	Y	N	YN	YN	N	NA	N	N	NA	NA	?	YN	YN	NA
R 340.1812(1)	NA	Y	Y	Y	NA	Y	Y	Y	Y	Y	Y	Y	NA	Y	Y	NA	NA	?	Y	Y	NA
R 340.1812(2)	NA	NA	NA	Y	NA	NA	NA	NA	NA	NA	NA	NA	Y	N	NA	NA	NA	?	N	Y	N

	District Code Number													Summary Data						
	43	44	45	46	47	48	49	50	51	52	53	54	55	Y	N	YN	NA	NR	?	TOTAL
Followed rules	N	N	?	Y	N	N	NA	N	N	N	N	N	N	9	33		10	--	3	55
Subrules followed:																				
R 340.1811(2)	Y	NA	?	Y	Y	NA	NR	NA	N	NA	NA	Y	NA	9	13		17 ^a	13	3	55
R 340.1811(3)	N	NA	?	Y	N	NA	NR	NA	N	NA	NA	Y	NA	10	12		17 ^a	13	3	55
R 340.1811(4)	Y	NA	?	Y	Y	NA	NR	NA	N	NA	NA	N	NA	15	7		17 ^a	13	3	55
R 340.1811(7)	N	YN	?	NA	N	YN	NA	YN	N	YN	YN	N	YN	2	16	15	19 ^b		3	55
R 340.1812(1)	Y	Y	?	Y	Y	Y	NA	Y	Y	Y	Y	Y	Y	39	0		13	--	3	55
R 340.1812(2)	NA	N	?	NA	NA	N	NA	NA	N	NA	NA	Y	NA	11	10		31	--	3	55

Y = Yes, N = No, NA = Not Applicable, NR = No Reimbursement, ? = Information Not Provided, YN = Alternative Method Included in Special Education Plan--No Reasons Given

^a Not applicable because alternative method was included in special education plan.

^b Of the 19 districts in which Rule 340.1811(7) does not apply, 6 are following the distribution rules and 13 do not reimburse constituent districts.

Rule 340.1811, subrules (2), (3), and (4), of the Michigan Special Education Rules outlines a specific method for distributing special education millage funds to constituent school districts. These subrules establish a system of equity based on a full-support or like-percent payment for the unreimbursed additional costs of providing special education programs and services for all constituent school districts.

As reported in the findings for Research Question 1, 33 ISDs used an alternative method for distributing special education millage funds to constituent school districts. The alternative methods were classified by type of distribution system, and descriptions of the various practices are given in the following pages. The methods used to calculate reimbursement to constituent school districts are explained.

For each of the alternative methods used for distributing special education millage funds to constituent school districts, variations result in the level of support provided. To answer the question of how the 33 alternative methods relate to the principle of equity embodied within the Michigan Special Education Rules, the different types of distribution systems were examined. The variant practices, as they affect equity, are discussed.

ISDs that use an alternative distribution system to the state methods are required to include the alternative method and the reasons therefor within their special education plans. As reported under Subsidiary Question 1d, only 2 of the 17 alternative methods presented within special education plans contained the required reasons. The

reasons given are presented and discussed as these relate to their respective alternative methods and the equitable distribution of special education millage funds.

Subsidiary Question 2a. How many different types of alternative methods were used by ISDs for distributing special education millage funds?

Findings. The 33 alternative methods used by ISDs for distributing special education millage funds can be classified into four broad types or categories of distribution systems. The first type is the flat-grant distribution system, in which a set dollar amount (or flat grant) is disbursed for each specified program or service unit, such as each classroom program or each professional staff member. The second type is the excess-cost distribution system, in which the variation from the excess-cost methods embodied within the Michigan Special Education Rules involves differences in determining what costs are allowed, calculations of receipts, and/or the manner of payment. The third type is a proportionate general student membership distribution system, in which available funds are disbursed proportionately, based on the general student membership count of each constituent school district. The fourth type is a weighted program cost distribution system, in which funds are proportionately disbursed on the basis of the weighted previous-three-year average program cost. Of the 33 alternative methods used by ISDs for distributing special education millage funds to constituent school districts,

1. Seven were using a flat-grant distribution system,
2. Twenty-four were using variations of the state excess-cost distribution system,
3. One was using a proportionate general student membership distribution system, and
4. One was using a weighted program cost-distribution system.

Flat-grant distribution system. Of the seven ISDs that were using a flat-grant distribution system, three used the full-time equivalent (FTE) number of professional staff members as the distribution unit, and four used the number of classroom programs. One of the ISDs that distributed a flat grant per professional staff member also distributed a flat grant for each classroom aide (FTE). Two of the ISDs that distributed a flat grant per classroom program allowed a larger (or additional) flat grant for the initial year of a classroom program, and one of these two ISDs also distributed a flat grant per classroom aide. This information is reported in Table 6.

Five of the seven ISDs that used a flat-grant distribution system reimbursed constituent school districts the full unreimbursed costs for some special education programs and services but not for others. Four reimbursed the full unreimbursed costs of programs available to all constituent districts (center programs), and one reimbursed the full unreimbursed costs of itinerant services. This information is reported in Table 6.

Table 6.--Flat-grant distribution systems used by ISDs in Michigan during the 1984-85 school year.

	District Code Number							Totals
	02	17	29	30	50	51	55	
<u>Full Unreimbursed Costs:</u>								
Center Programs	X	X	X		X			4
Itinerant Services						X		1
<u>Flat-Grant Amount:</u>								
Funds/No. of Units	X	X			X	X		4
Pct. of Ave. Salar.			X					1
Set by Admin.				X		X	X	3
<u>Flat-Grant Unit:</u>								
Prof. Staff (FTE)		X	X	X				3
Classroom Programs	X				X	X	X	4
New Classrooms						X	X	2
Classroom Aides			X			X		2

Three methods were used to determine the amount of a flat grant. Four districts divided the funds available by the total number of flat-grant units (e.g., professional staff members, classroom programs). One district used a formula to calculate a proportion of the average staff salary to determine the flat grant. Three districts used an administrative decision to set the flat grant. For two of these three districts, the administrative decision was made at a meeting of the superintendents of the constituent districts. For the other district where an administrative decision sets the amount of the flat grant, the amount had been set years ago and they were unsure of its origin. This

information is reported in Table 6. The methods used to calculate the flat grants and the payments to constituent districts are reported in Table 7, which is a summary table of the flat-grant distribution systems by district.

Variations of the state excess-cost distribution system. Twenty-four ISDs used an excess-cost distribution system that varied from the excess-cost system embodied within the Michigan Special Education Rules. Of these, 15 districts varied in how allowable costs were determined, 12 varied in the calculation of receipts, and 5 varied in the manner of payment. These findings are reported in Table 8.

The 24 alternative excess-cost distribution systems in which the variation from the excess-cost methods embodied within the Michigan Special Education Rules involved differences in determining allowable costs, calculation of receipts, and the manner of payment are discussed below and are reported in Table 9. Each of these variations is presented and described.

1. Variations in Determining Allowable Costs

Fifteen of the 24 ISDs used an alternative excess-cost distribution system that differed from the state method for determining allowable costs. Two of the 15 districts included only staff salary and fringe benefits as the amount of allowable costs. The remaining 13 districts used the state allowable-cost categories and definitions that are included on State Form DS 4096 (Appendix D), but varied by adding, limiting, and/or subtracting costs allowed by the state.

Table 7.--Methods for determining flat grants used by ISDs in Michigan during the 1984-85 school year.

District Code Number	Flat-Grant Units	Methods Used for Calculating:	
		Flat-Grant Amounts	Payments
02	Classroom	Amount of funds available divided by the number of classroom programs	Number of classroom programs times flat-grant amount
17	Professional staff (FTE)	Amount of funds available divided by the number of professional staff	Number of professional staff times flat-grant amount
29		Amount of funds available divided by the sum of the professional staff and aide salaries to equal a <u>payout percentage</u>	
	Professional staff (FTE)	Total sum of professional staff salaries times <u>payout percentage</u> (see above) divided by the number of professional staff	Number of professional staff times flat-grant amount
	Aides (FTE)	Total sum of aides' salaries times <u>payout percentage</u> (see above) divided by the total number of aides	Number of aides times flat-grant amount
30	Professional	Flat-grant amount set by administrative decision	Number of professional staff times flat-grant amount

Table 7.--Continued.

District Code Number	Flat-Grant Units	Methods Used for Calculating:	
		Flat-Grant Amounts	Payments
50	Classroom programs	Amount of funds available divided by the number of classroom programs	Number of classrooms times flat-grant amount
51	Classroom programs	Amount of funds available divided by the number of classroom programs	Number of classrooms times flat-grant amount
	Classroom programs (initial year)	Flat-grant amount set by an administrative decision	Number of classroom programs (initial year) times the flat-grant amount (additional grant)
	Aides assigned by IEPC meeting	Flat-grant amount set by an administrative decision	Number of IEPC-assigned aides times flat-grant amount
55	Classroom programs	Flat-grant amount set by an administrative decision	Number of classroom programs times flat-grant amount
	Classroom programs (initial year)	Flat-grant amount set by an administrative decision (amount was approximately three times larger for the 1984-85 school year than grants for continuing classroom programs)	Number of classroom programs in initial year times flat-grant amount

Table 8.--Alternative excess-cost distribution systems used by ISDs during the 1984-85 school year.

	District Code Number												
	01	07	14	16	18	20	23	24	25	27	28	31	32
<u>Variation(s) Used:</u>													
Allowable costs	X	X			X	X	X	X		X	X	X	X
Calculating receipts	X			X		X	X		X			X	
Manner of payment	X		X						X				
	District Code Number												
	33	36	40	41	43	44	47	48	52	53	54	Totals	
<u>Variation(s) Used:</u>													
Allowable costs	X			X				X	X	X			15
Calculating receipts	X	X			X	X	X			X			12
Manner of payment			X								X		5

Table 9.--Alternative excess-cost methods used by ISDs during the 1984-85 school year.

	District Code Number																										TOTAL
	01	07	14	16	18	20	23	24	25	27	28	31	32	33	36	40	41	43	44	47	48	52	53	54			
Methods Used:																											
Allowable costs																											
*State DS 4096		X	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	22	
Additions																											
Aides										X							X				X		X			4	
PTNSEAP																							X			1	
Indirect costs		X					X																X			3	
Room rent								X		X		X		X												4	
Oper. & maint.								X		X																2	
Gen. ed. admin.								X															X			2	
Limits																											
Supplies & materials		X						X			X										X	X				5	
Conf./inservice																					X					1	
Legal fees																					X					1	
Subtractions																											
Aides													X													1	
Indirect costs					X			X		X																3	
Salary & fringes	X					X																				2	
Calculation of receipts ^a																											
*Membership subtraction		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	23	
*GMA x FTE		X	X	X	X			X	X	X	X	X	X			X	X	X	X	X	X	X	X	X	X	19	
Minimum GMA x FTE						X																				1	
GMA x Std. St. Ct.														X												1	
GMA x head count																			X ^a							1	
ANRPS x FTE							X								X											2	
*Cat. aid subtraction		X	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X ^b		X	X	X	X	X	21	
Recapture adjustment							X					X						X					X			4	
Res. dist. contribution									X																	1	
Manner of payment																											
*Full support/like-percent	X	X			X	X	X	X		X	X	X	X	X	X		X	X	X	X	X	X	X			20	
Selected programs	X																									1	
Varying percentage				X					X							X								X		4	
Priority system				X					X							X										3	
Caseload adjustment																								X		1	

PTNSEAP = Part-time Non-Special-Education Ancillary Personnel, ANRPS = Actual Net Revenue Per Student, GMA = Gross Membership Allowance, FTE = Number of Full-Time Equivalent Special Education Students, Std. St. Ct. = Standard Student Count

*Method embodied in the Michigan Special Education Rules.

^aNonresident students only.

^bNo categorical aid subtraction for center program.

Additions to state allowable costs were given for:

- a. Non-state-approved aides. Costs for classroom aides are allowed by the state only when the aides are mandated by the Michigan Special Education Rules, or when a request for approval has been submitted to the state and a waiver granted. Four districts had procedures that allowed for the costs of employing aides not approved by the state in determining allowable costs.
- b. Part-time non-special-education ancillary personnel. One district included the costs of part-time non-special-education ancillary personnel as an allowable cost. It should be noted that the costs of part-time non-special-education ancillary personnel, such as general education art teachers, music teachers, and physical education teachers, are not state-allowable costs. The state's rationale is that if the ancillary service is provided to general education students as a regular part of the educational program, the service should also be provided to special education students, and no additional excess cost would be involved.
- c. Indirect costs. Indirect costs are an amount of state-allowable cost for the operation and maintenance of facilities. The state determines an indirect cost rate for each local school district by dividing the total district expenditures by the district expenditures for operation and maintenance and school plant planning. The indirect cost rate, which the state limits to a maximum of 15%, is multiplied by the total program costs to determine the amount of the state-allowed indirect costs. Three

districts included additional amounts beyond the amount allowed by the state for indirect costs.

- d. Room rent. The state does not permit districts to include a charge for renting their own facilities as an allowable cost. Four districts included an amount for rent of classroom space in determining allowable costs.¹
- e. Operation and maintenance. The state considers the indirect costs to cover expenses for operation and maintenance and does not allow additional charges to be included as allowable costs, except in places where a district is operating a separate facility and documents that its actual expenditures exceed the state-allowed indirect costs. Two districts included an allowance for operation and maintenance as an allowable cost. In both cases, the indirect costs, as allowed by the indirect cost rate, were subtracted from the allowable cost.
- f. General education administration. The state does not allow additional special education costs for general education administration. The rationale is that special education students are part of the total education program and that general education administrative costs are covered by the basic level of state support granted

¹Payment of rent to a district for classrooms purchased and owned by a constituent district began in the early period of Public Act 18 of 1954. During that period it was common practice to construct and pay for classrooms with "county school district special education millage funds" in districts with a classroom shortage. Other districts with available classroom space were required to make such space available for needed programs. Thus, as an equity measure, rent was often paid to those districts supplying classroom space (Mange, 1985).

in the guaranteed gross membership allowance. Two districts included additional allowances for general education administration.

Limits to state-allowable costs were placed on expenditures for:

- a. Supplies and materials. Five districts limited the amount of reimbursable expenditure for supplies and materials.
- b. Conferences and inservice education. One district limited the amount of reimbursable expenditures for conferences and inservice education.
- c. Legal fees. One district limited the amount of reimbursable expenditures for legal fees.

Subtractions from state-allowable costs were made for:

- a. State-approved aides. One district subtracted the costs of non-mandated aides who had been approved by state waiver from the allowable costs.
- b. Indirect costs. Three districts subtracted the amount of the state-allowed indirect costs from the allowable costs.

2. Variations in Calculation of Receipts

Six districts used different practices for subtracting state membership monies, eight districts used different practices for subtracting state categorical aid, and one district used an additional subtraction for a contribution from a student's resident school district. Two districts used combinations of these practices.

The different practices used for subtracting state membership monies were:

- a. No membership subtraction. One district did not subtract any membership monies from the allowable costs.
- b. Minimum gross membership allowance times the number of full-time equivalent students. One district set a minimum gross membership allowance. A local district's actual gross membership allowance or the minimum gross membership allowance, whichever was greater, was multiplied by the number of full-time equivalent students served to determine the amount of membership subtraction.
- c. Gross membership allowance times a standardized student head count. One district established a standard head count by type of program. For each corresponding program type, the standard head count was multiplied by a constituent district's gross membership allowance to determine the amount of membership subtraction.
- d. Gross membership allowance times the student head count. One district multiplied a constituent district's gross membership allowance by the number of nonresident students to determine the amount of membership subtraction for the nonresident students served.
- e. Actual net revenue per student times the number of full-time equivalent students served. Two districts used the amount of a constituent district's actual net revenue per student, either the gross membership allowance or the amount raised by local property taxes per student, whichever was greater, times the number of full-time equivalent students to determine the amount of the membership subtraction.

The different practices used for subtracting state categorical aid were:

- a. No categorical aid subtraction. Three districts did not subtract categorical aid for any programs, and one district did not subtract categorical aid for center programs.
- b. Adjustments that were made for the amount recaptured by the state from out-of-formula local school districts by reducing the special education categorical aid payments. Four districts adjusted their categorical aid subtractions to make up for part or all of what the state had recaptured by reducing the special education categorical aid payment.

One district used an additional subtraction of a local contribution for students served in programs available to all constituent school districts (center programs). This district subtracted 25% of the per capita unreimbursed costs from the previous year as the amount of the local district contribution. (This was the amount of tuition the operating district charged the resident district per student.)

3. Variations in the Manner of Payment

Five ISDs used payment practices that differed from the state method. Of these five districts, one made a like-percent payment for the allowable costs of only selected programs, and four made a varying percentage payment that differed by type of program or service, or by an adjustment for the number of students served.

The manner-of-payment practices that varied from the state method were:

- a. Like-percent payment for some programs. One district reimbursed costs in a like-percent payment only for constituent-district-employed psychologists, social workers, and speech therapists.
- b. Priority payment system. Three districts disbursed special education millage funds on the basis of where a special education program or service had been assigned within a series of three or more prioritized reimbursement levels. The programs and services designated as the highest priority were paid first, then the next highest were paid, and so on. This practice resulted in a varying payout percentage among programs.
- c. Proportionate caseload payment system. One district set a minimum caseload count per type of program and then reduced the payment percentage proportionately, based on the extent to which the highest caseload count during the school year was under the minimum caseload count set for the program. For those programs that were under the minimum caseload count, a reduced percentage payment was made and resulted in a varying overall payment percentage.

Classifying the 24 alternative excess-cost payment systems and the variant practices used by district, as can be seen in Table 8, it was discovered that:

- a. Nine districts varied only in determining allowable costs;
- b. Five districts varied only in the determining the calculation of receipts;
- c. Three districts varied only in the manner of payment;

- d. Five districts varied in determining allowable costs and the calculation of receipts;
- e. One district varied in the calculation of receipts and the manner of payment; and
- f. One district varied in all three components.

The 24 alternative excess-cost distribution systems are reported in Table 10, which is a summary table containing descriptions of the methods used for determining allowable costs, calculation of receipts, and the manner of payment, by ISD.

Proportionate general membership distribution system. One ISD (District 35) used a proportionate general student membership distribution system to disburse special education millage funds to constituent school districts. This distribution method, which was used after the full unreimbursed costs of programs and services available to all constituent districts had been paid, was calculated as follows.

1. The total ISD student membership (aggregated membership counts of all constituent school districts) was divided by the student membership count of each constituent school district to equal a payout percentage.
2. The total amount available for distribution was multiplied by each constituent school district's payout percentage to determine its respective amount of payment.

Weighted program cost distribution system. One ISD (District 11) used a weighted program cost distribution system to disburse special education millage funds to constituent school districts. This

Table 10.--Detail of variant practices for determining allowable costs, calculation of receipts, and/or the manner of payment.

District Code Number	Allowable Costs	Methods Used for Determining:	
		Calculation of Receipts	Manner of Payment
01	Salary and fringe benefits of psychologists, social workers, and speech therapists.	No receipts subtracted.	Amount available divided by total allowable costs of all constituent districts to equal payout percentage. For each constituent district, payout percentage multiplied by allowable costs to yield amount of payment.
07	State method with the addition of allowing districts to use unrestricted indirect cost rates and limits placed on expenditures for supplies and materials.	State method.	State method.
14	State method.	State method.	Priority payment system where programs and services were divided into one of three priority groupings. First, full support or like-percent payment made for priority I groupings. As funds remained, full support or like-percent payment made for priority II, etc.
16	State method.	State method for membership receipts. No subtraction for categorical aid.	State method.
18	State method minus indirect cost rate.	State method.	State method.
20	Salary and fringes of special education staff.	State method used with the exception that a minimum gross membership allowance established to calculate membership receipts.	State method.
23	State method with addition of up to \$2,000 for indirect costs that exceeded state 15% limit.	Used actual net revenue per student in calculating membership receipts. Subtracted only net amount received from state, which resulted in partial repayment of what state had recaptured from out-of-formula districts.	State method.

Table 10.--Continued.

District Code Number	Allowable Costs	Methods Used for Determining:	
		Calculation of Receipts	Manner of Payment
24	State method with additions for room rent, operation and maintenance allowance, and general education administration. Limits placed on expenditures for supplies and materials. Indirect costs were subtracted.	State method.	State method.
25	State method.	State method minus resident district contribution for each student placed in a center program.	Priority payment system where programs and services were divided into one of three priority groupings. First, full support or like-percent payment made for Priority I grouping. As funds remained, full support or like-percent payment made for Priority II, etc.
27	State method with additions for non-state-approved aides, room rent, and operation and maintenance. Indirect costs were subtracted.	State method.	State method.
28	State method with limits placed on expenditures for supplies and materials.	State method.	State method.
31	State method with an addition for room rent.	State method used with the exception that adjustments were made for what had been recaptured by the state from out-of-formula districts.	State method.
32	State method with subtractions made for state-approved non-mandated aides.	State method.	State method.
33	State method with an addition for room rent.	State method with a standardized student count by program type used to determine membership subtractions.	State method.
36	State method.	State method used with the exception that the actual net revenue per student was used to calculate membership receipts.	State method.

Table 10.--Continued.

District Code Number	Allowable Costs	Methods Used for Determining: Calculation of Receipts	Manner of Payment
40	State method.	State method.	Priority payment system where programs and services were divided into one of five priority groups. First, full support or like-percent payment made for Priority I grouping. As funds remained, full support or like-percent payment made for Priority II, etc.
41	State method with additions for non-state-approved aides.	State method.	State method.
43	State method.	State method used with the exception that adjustments were made for what had been recaptured by the state from out-of-formula districts that operated center programs.	State method.
44	State method.	State method used with the exception that one FTE was used for calculating nonresident student memberships, and categorical aid was not subtracted for center programs.	State method.
47	State method.	State method for membership receipts. No subtraction for state categorical aid.	State method.
48	State method with additions for non-state-approved aides and limits placed on expenditures for supplies and materials, conferences and inservices, and legal fees.	State method.	State method.
52	State method with limits placed on expenditures for supplies and materials.	State method.	State method.
53	State method with additions for non-state-approved aides, part-time non-special-education ancillary personnel, indirect costs, and general education administration.	State method used with the exception that adjustments were made for what had been recaptured by the state from out-of-formula districts that operated center programs.	State method.
54	State method.	State method.	State method used except that minimum caseload counts were established for each program or service type and payments were proportionally reduced to the extent that the highest caseload amount of the year was under established minimum.

distribution method, which was used after the full unreimbursed costs of programs and services available to all constituent school districts had been paid, was calculated as follows.

1. A program weight factor was determined. This was done for each program listed on the state DS 4096 cost report form (Appendix D) for all programs that served some, but not all, constituent school districts (noncenter programs). The weighted program factors were determined by:
 - a. Adding the total program costs, as listed on the operating district's state DS 4096 cost report form, for each program across the ISD for the last three years to derive the three-year total cumulative costs for each program;
 - b. Adding the total number of professional staff members (FTE), as listed on the operating district's state DS 4096 cost report form, for each program across the ISD for the last three years to derive the three-year total cumulative FTE for each program;
 - c. Dividing the three-year total cumulative costs for each program by the three-year total cumulative FTE to derive the three-year average program costs per FTE for each program.

The same procedure was used to derive the three-year average program costs per FTE for all programs; the three-year average program costs per FTE for each program was divided by the three-year average program costs for all programs to derive the program weight factor for each program.

2. The amount of each distribution unit was determined. This was calculated by:
 - a. Multiplying the current FTE for each program by the program weight factor to derive the distribution weight for each program;
 - b. Summing the distribution weights for all programs to derive the total number of distribution weights; and
 - c. Dividing the funds available for distribution by the total number of distribution weights to equal the amount of a distribution unit.
3. For each constituent school district, the total number of distribution units was determined. This was calculated by:
 - a. Multiplying the current FTE for each program by the respective program-weight factor to equal the number of distribution units for each program; and
 - b. Summing the distribution units for each program to equal the total number of distribution units.
4. The total number of distribution units for each constituent district was multiplied by the amount of a distribution unit, which equaled the district's respective reimbursement from the special education millage fund.

Subsidiary Question 2b. How do the different types of alternative methods used by ISDs for distributing special education millage funds relate to the system of equitable distribution embodied within Rule 340.1811, subrules (2), (3), and (4)?

Findings. The system of equitable distribution embodied within the Michigan Special Education Rules for disbursing special education millage funds to constituent school districts is an excess-cost distribution system that is based on a full-support or a like-percent payment to all constituent school districts for their unreimbursed additional costs for providing special education programs and services. Understanding the terms "state allowable costs," "state excess costs," and "unreimbursed costs" is important for comprehending the concepts to be presented. Each term refers to a different, though related, amount of a district's expenditures for providing special education programs and services. The total expenditures for special education programs and services, as permitted by a specific set of state categories and definitions (DS 4096), is termed the state allowable costs. The state allowable costs minus the state membership aid received for the special education program, gross membership allowance (GMA) times the number of full-time equivalent (FTE) special education students, is termed the state excess costs. The state excess cost minus the state special education categorical aid is termed the unreimbursed costs. The relationship among these three terms is shown below.

$$\begin{array}{r} \text{Total State Allowable Costs} \\ - \text{State Membership Aid} \\ \hline \text{State Excess Costs} \end{array}$$

$$\begin{array}{r} \text{State Excess Costs} \\ - \text{State Categorical Aid} \\ \hline \text{Unreimbursed (additional) Costs} \end{array}$$

As shown above, the term "unreimbursed costs" refers to the additional costs for providing special education programs and services after the state membership and categorical aid have been subtracted and before the ISD special education millage funds have been distributed. Equity in the state excess-cost distribution system is established by the condition that the amount of the payment made to one constituent school district is to be the same proportion (like-percent) of its unreimbursed costs as the amount of payment made to each other constituent district. (See definition and explanation of the term "equity" in Chapter I, p. 6.)

An example of the state excess-cost system is presented in Table 11 for a simplified and hypothetical ISD comprising three constituent school districts. In this example, the proportion of the payment made to the unreimbursed costs is 50% for all constituent school districts.

For each of the four different types of special education millage-distribution systems presented under Subsidiary Question 2a, the varying practices are examined and discussed as they affect equity in the distribution of special education millage funds. The data presented in Table 11 will be used to assist in the discussion.

Flat grant distribution systems. In a flat-grant distribution system, the same dollar amount is paid for each of a number of specified distribution units. The amount of unreimbursed costs expended by constituent school districts is not recognized by this distribution method. For example, District X and District Y expend \$12,000 and \$4,000, respectively, of unreimbursed costs for a classroom program.

Table 11.--Hypothetical example of the Rule 340.1811, subrules (2), (3), and (4), system for reimbursement of special education costs to constituent districts.

	<u>District A</u>		<u>District B</u>		<u>District C</u>	
Memb	2,500		2,000		1,000	
GMA	\$2,200		\$2,000		\$2,500	
<u>Prog</u>	<u>Prof/Stu</u>	<u>Total Costs (DS 4096)</u>	<u>Prof/Stu</u>	<u>Total Costs (DS 4096)</u>	<u>Prof/Stu</u>	<u>Total Costs (DS 4096)</u>
EMI	3.0/33.0	\$ 85,000	1.0/12.0	\$ 25,000	1.0/11.0	\$ 25,000
EI	0.0/ 0.0	\$ 0	2.0/14.0	\$ 80,000	0.0/ 0.0	\$ 0
LD	2.0/12.0	\$ 65,000	1.0/ 8.0	\$ 35,000	1.0/ 7.0	\$ 35,000
Totals	5.0/45.0	\$150,000	4.0/34.0	\$140,000	2.0/18.0	\$ 60,000

<u>State Membership Receipts</u>					<u>State Excess Costs</u>					
<u>Dist</u>	<u>Stu</u>	<u>x</u>	<u>GMA</u>	<u>=</u>	<u>State Memb Receipts</u>	<u>Total Costs (DS 4096)</u>	<u>-</u>	<u>State Memb Receipts</u>	<u>=</u>	<u>Excess Costs</u>
A	45.0	x	\$2,200	=	\$99,000	\$150,000	-	\$99,000	=	\$51,000
B	34.0	x	\$2,000	=	\$68,000	\$140,000	-	\$68,000	=	\$72,000
C	18.0	x	\$2,500	=	\$45,000	\$ 60,000	-	\$45,000	=	\$15,000

<u>State Categorical Aid</u>					<u>Unreimbursed Costs</u>					
<u>Dist</u>	<u>Excess Costs</u>	<u>x</u>	<u>Pct State Reimb</u>	<u>=</u>	<u>State Cat Aid</u>	<u>Excess Costs</u>	<u>-</u>	<u>State Cat Aid</u>	<u>=</u>	<u>Unreimb Costs</u>
A	\$51,000	x	15%	=	\$ 7,650	\$51,000	-	\$ 7,650	=	\$43,350
B	\$72,000	x	15%	=	\$10,800	\$72,000	-	\$10,800	=	\$61,200
C	\$15,000	x	15%	=	\$ 2,250	\$15,000	-	\$ 2,250	=	\$12,750

Calculation of Like-Percent Payment

<u>Amount Available</u>	<u>/</u>	<u>Total Unreimb Costs</u>	<u>=</u>	<u>Like-Percent Payment</u>
\$58,650	/	\$117,300	=	50%

Distribution of Special Education Millage Funds

<u>State Distribution Method</u>	<u>District A</u>	<u>District B</u>	<u>District C</u>
Total Allowable Costs (DS 4096)	\$150,000	\$140,000	\$ 60,000
Minus State Memb Receipts	-99,000	-68,000	-45,000
Minus State Cat Aid Receipts	- 7,650	-10,800	- 2,250
Equals Total Unreimbursed Cost	\$ 43,350	\$ 61,200	\$ 12,750
Times Like-Percent of Payment	x.50	x.50	x.50
Equals Amount of Reimbursement	\$ 21,675	\$ 30,600	\$ 6,375

If the ISD reimburses a flat grant of \$4,000 per classroom program, the remaining unreimbursed cost for District X is \$8,000 and for District Y the amount is 0. No adjustment is made for the varying costs of providing special education programs and services.

	<u>District X</u>	<u>District Y</u>	<u>Totals</u>
Amount of Unreimbursed Costs	12,000	4,000	16,000
Amount of ISD Payment (\$4,000 x 1)	-4,000	-4,000	-8,000
Remaining Unreimbursed Costs	8,000	0	8,000

For the same situation, using the state excess-cost distribution system, funds would be disbursed as follows (assuming the same amount is available for distribution):

	<u>District X</u>	<u>District Y</u>	<u>Totals</u>
Amount of Unreimbursed Costs	12,000	4,000	16,000
<u>Times Like Percent</u>	<u>x.50</u>	<u>x.50</u>	<u>x.50</u>
Amount of Payment	6,000	2,000	8,000
Remaining Unreimbursed Costs	6,000	2,000	8,000

To determine the excess costs to educate handicapped children, the state subtracts the amount guaranteed to the district for the education of all students (gross membership allowance). This is done to base the amount of reimbursement on the costs in excess of the basic amount guaranteed for all students (including handicapped children) enrolled in the district. The flat-grant distribution system does not contain procedures that account for differences in the actual unreimbursed costs. As a result, some districts are reimbursed a higher proportion of their unreimbursed costs and others are reimbursed a lower

proportion of their unreimbursed costs. An example is given for District X, where the gross membership allowance is \$2,000, and District Y, where the gross membership allowance is \$2,500. Other similar examples could be constructed where program expenditures vary, but support is equal to and/or combinations of the above. The following illustration is presented for one classroom with eight students (FTE) enrolled for each district.

	<u>District X</u>	<u>District Y</u>
Total Costs (DS 4096)	25,000	25,000
<u>Minus Gross Membership Allowance (x's 8)</u>	<u>-16,000</u>	<u>-20,000</u>
Total State Excess Costs (SEC)	9,000	5,000
<u>Minus State Categorical Aid (15% of SEC)</u>	<u>-1,350</u>	<u>-750</u>
Equals Total Unreimbursed Costs	7,650	4,250
<u>Minus Flat Grant Payment (\$4,000 x 1)</u>	<u>-4,000</u>	<u>-4,000</u>
Equals Remaining Unreimbursed Costs	3,650	250
Percent of Unreimbursed Costs Paid	52%	94%

As shown in the preceding example, both Districts X and Y expend the same amounts. However, because the gross membership allowance is not accounted for in the flat-grant distribution system, District X is paid 52% of its total unreimbursed costs and District Y is paid 94% of its total unreimbursed costs. For a flat-grant distribution system, where the student count (FTE) is held constant, the larger the gross membership allowance the greater the percentage of total unreimbursed costs that are paid. In short, those districts that receive more per

pupil aid (higher GMA) are required to pay less (in proportion to their total unreimbursed costs) under a flat-grant distribution system.

The specific method by which a flat-grant amount is determined is of less consequence than the question of equitable distribution. In general, each year, and definitely in the long run, a certain amount of funds is available for distribution. This available amount is partitioned into the number of distribution units. If a flat-grant system is to be used, the most efficient way is to divide the amount available by the number of distribution units to determine the amount of the flat grant. In this researcher's opinion, other methods are simply less efficient ways of arriving at the amount of the flat grant.

Selection of the distribution unit(s) will influence the amount of payment (depending on how many of the specified units a district has) and may influence the degree of equity in the distribution of funds. For example, distributing a larger or additional amount for new classroom programs recognizes that additional expenditures are required to start a program. Likewise, distributing a flat grant for classroom programs and for aides recognizes that additional expenditures are required to employ aides. However, the interactions of the units do not produce consistent additional costs across all programs and services. If the units were consistently distributed across all constituent school districts, and if the unreimbursed cost for each unit were identical, the flat-grant distribution system would produce a high degree of equity among the selected units. However, in actuality it would be rare to find the identical unreimbursed costs for two units

within the same district, and it would be practically impossible to find duplicate unreimbursed costs across an ISD.

As discussed above, the flat-grant distribution system for disbursing special education millage funds produces considerable inequities in the amounts reimbursed among constituent school districts. This is further supported by the findings shown in Table 12, which gives a comparison of the state excess-cost distribution system and a flat-grant distribution system for a hypothetical ISD comprising three constituent school districts. In this example, District A is paid 61% of its unreimbursed costs, District B is paid 35% of its unreimbursed costs, and District C is paid 84% of its unreimbursed costs.

For ISDs that use a flat-grant distribution system, some districts would be rewarded by receiving a greater portion of their unreimbursed costs and others would be penalized by receiving a smaller portion of their unreimbursed costs than they would under the state excess-cost distribution system. In general, districts would be financially rewarded in the distribution of special education millage funds under a flat-grant distribution system compared to the state excess-cost distribution if they:

1. Employed less-experienced and lower-salaried teachers,
2. Expended less on teaching supplies and materials, and
3. Had a high gross membership allowance.

Table 12.--Comparison analysis of constituent district reimbursement under Rule 340.1811, subrules (2), (3) and (4), and a flat-grant system.

	<u>District A</u>	<u>District B</u>	<u>District C</u>
<u>State Excess Cost System</u>			
Total Unreimbursed Costs	\$43,350	\$61,200	\$12,750
<u>Times Like Payout Percent</u>	<u>x.50</u>	<u>x.50</u>	<u>x.50</u>
Amount of Reimbursement	\$21,675	\$30,600	\$ 6,375
Percent Unreimbursed Costs	50%	50%	50%
<u>Flat-Grant Distribution System</u>			
Total Unreimbursed Costs	\$43,350	\$61,200	\$12,750
Amount of Flat Grant	\$ 5,331	\$ 5,331	\$ 5,331
<u>Grant x Units (Prof/Rms)</u>	<u>x5</u>	<u>x4</u>	<u>x2</u>
Amount of Reimbursement	\$26,655	\$21,324	\$10,662
Percent Unreimbursed Costs	61%	35%	84%
<u>Differences Between Systems</u>			
Total Unreimbursed Costs	0	0	0
Amount of Reimbursement	+ \$4,980	- \$ 9,276	+ \$4,287
Percent Unreimbursed Costs	+11%	-15%	+34%
<u>Calculation of Flat-Grant Amount</u>			
Available Special Education Millage Funds	\$58,650		
Divided by Number of Units (Prof/Rooms)	11		
Equals the Amount of Each Flat Grant	\$ 5,331		

Conversely, districts would be financially penalized if they:

1. Employed more experienced and higher salaried teachers,
2. Expended more on teaching supplies and materials, and
3. Had a low gross membership allowance.

Perhaps the primary reason for use of a flat-grant distribution system are:

1. Simplicity and ease of calculation,
2. Ease of understanding of the system by constituent school districts, and
3. Prior practice.

The flat-grant system does, however, sacrifice the principle of equity to varying degrees and, as such, exacts a price from some constituent districts while supporting others disproportionately.

Variations of the state excess-cost distribution system. The actual types of practices found to differ from the state excess-cost distribution system methods for determination of allowable costs, calculation of receipts, and the manner of payment are presented below in the same order shown on Table 8. These practices are discussed as they may result in varying degrees of attenuation in equity. Although the discussion is focused on equity rather than legality, the legal considerations are straightforward and merit brief mention. If any practice listed below was used by an ISD and it was not included along with the reasons for so using within the district's approved special education plan, the practice was simply illegal.

1. Variations in Determining Allowable Costs

Eleven practices varied by adding, limiting, or subtracting from costs allowed by the state. Of these 11 practices, six involved additions, three involved limitations, and two involved subtractions. One other variation was used, which was the practice of substituting staff members' salary and fringe benefits as the allowable costs.

The practices where non-state-approved costs were added to a constituent district's allowable costs were:

- a. Non-state-approved aides. Some ISDs included the costs of aides who were not approved by the state for reimbursement. The researcher had no means to decide whether the additional aides were really necessary or if each constituent school district within an ISD that employed this practice was allowed an equal opportunity to include the costs for non-state-approved aides. Thus, no position on the equity of this practice is taken.
- b. Part-time non-state-approved ancillary personnel. The same rationale would apply as given above for non-state-approved aides. No position is taken on the equity of this practice.
- c. Indirect costs. Three ISDs included additional amounts for operation and maintenance and school plant planning. In the three places where this practice was used, all involved actual expenditures that exceeded the state indirect cost rate limit of 15% of the total program costs. Some would argue that any additional expenditures beyond the state limit for indirect costs are actual expenses and should be allowed. Others would say that no

additional expenditures have, in fact, occurred, as the costs would have been there with or without the special education program(s). Both arguments have merit. One might even question the equity of the state practice of limiting the indirect rate to 15%. Although the effect of this practice on equity is unclear, it is likely to result in relatively minor variations in the equitable distribution of funds.

- d. Room rent. The payment for rental of rooms to house special education programs is an artifact of past practices. Historically, ISDs paid for construction of special education classrooms for some of their constituent school districts. Other constituent districts used available rooms (or a combination of rooms built with special education funds and available rooms). At that time, it was thought that, in lieu of construction costs granted to some programs but not others, it would be equitable to pay rent for those programs housed in rooms not built with special education funds (Mange, 1985). One might argue that it would be inequitable to stop the practice of paying rent for programs housed in non-special-education-built classrooms, when others continue to have classrooms available that were built with special education funds. In the same vein, withdrawing financial support for rental of classroom space might be viewed as a violation of a long-standing agreement among the districts. In the case of special-education-built rooms and rent being paid for other classroom programs housed in non-special-education-built rooms, no position is taken on the equity

of this practice. However, if rent is paid for all classrooms (or even some classrooms), regardless of whether they were built with special education funds, this practice would be viewed as one in which a flat grant is distributed, and, as such, equity among districts is likely to be reduced.

- e. Operation and maintenance. Two ISDs allowed an amount for operation and maintenance instead of the amount allowed by the state indirect cost rate. (In both districts, the allowed indirect costs are subtracted from a constituent district's allowable costs.) One of these two districts had a procedure for calculating the actual amount spent for operation and maintenance. However, the methods employed were such that, for all practical purposes, the distribution of a flat amount was the result. The other district distributed a flat amount (termed an "allowance") for operation and maintenance. As flat amounts (grants) were being distributed, this is considered a practice in which equity was reduced.
- f. General education administration. The state does not allow additional costs for general education administration as these costs are included within the gross membership allowance. Two districts included additional amounts for general education administration. One district included an additional 3% of the unreimbursed costs for programs classified as center programs for the support of general education administration. The other included an additional amount for the support of general education administration, which was determined by multiplying the state indirect cost rate (up to

15%) by the total unreimbursed costs for constituent school districts that did not employ a special education administrator. As the general education administrative costs are included within the gross membership allowance, this practice, though perhaps politically popular, has little, if any, rational basis for doing anything but reducing equity.

The actual practices used where limits were placed on costs allowed by the state in determining a constituent district's allowable costs were applied to (a) supplies and materials, (b) conferences and inservices, and (c) legal fees. These three types of practices are discussed together because their effect on equity is similar. Some might say the practice of capping expenditures at a certain "reasonable" level will discourage districts from making unnecessary expenditures and, as a result, equity will be increased. The researcher finds this position plausible. Others might say that if the limit placed on certain expenditures is low, it would be like distributing a flat grant for some items. The researcher also finds this position plausible. However, within the scope of this study, there were no means to judge whether the additional expenditures would actually be necessary. Therefore, no position is taken on the equity of practices that place limits on some types of expenditures.

The actual practices used that subtracted from costs allowed by the state in determining a constituent district's allowable costs were taken for:

- a. State-approved aides. One ISD subtracted the costs of aides who had been approved by state waiver to be included as an allowable expenditure. The procedures involved in receiving a state waiver include the ISD's taking the position that an aide is necessary. It is puzzling to the researcher why an ISD would verify the necessity of an aide and then deny special education millage reimbursement. This practice is judged to reduce equity.
- b. Indirect costs. Three ISDs subtracted the state-allowed indirect costs. Two of these districts subtracted the indirect costs and substituted flat amounts for operation and maintenance. As discussed before (see discussion on additions to allowable costs for operation and maintenance, p. 109), this practice was concluded to be one in which equity is reduced. The other district subtracted the indirect costs in determining the allowable cost (or did not include this expense in its allowed costs). If the indirect cost rates of all constituent school districts are the same (which is unlikely), equity would not be affected. To the extent that indirect cost rates vary, this practice will reduce equity.

The actual practice used where a substitution was made in place of the state methods for determining allowable costs was the practice of using only the costs of staff salary and fringe benefits. Staff salary and fringe benefits, because they constitute a large share of a district's expenditures for special education programs and services, will likely approximate the proportion of state-allowable costs among constituent school districts. However, to the extent that other

legitimate costs vary, this practice becomes one through which equity is reduced.

2. Variations in Calculation of Receipts

Five practices varied from the state method for calculating membership receipts. Two practices varied from the state method for calculating categorical aid receipts. One practice varied from the state methods for calculating receipts by including an additional subtraction for a local district's contribution.

The practices that varied from the state method for calculating membership receipts (GMA x special education student FTE) were:

- a. No membership subtraction. One district did not subtract any membership receipts from the allowable cost. This practice results in a percentage payment of the allowable costs. An example is shown using the data from the hypothetical ISD comprising three constituent school districts presented in Table 11. The payout percentage is calculated by dividing the funds available (\$58,650) by the total allowable costs (\$350,000).

	<u>District A</u>	<u>District B</u>	<u>District C</u>
Total Allowable Costs	150,000	140,000	60,000
Times Payout Percent	.1675	.1675	.1675
Amount of Reimbursement	25,125	23,450	10,050
Total Unreimbursed Costs	43,350	61,200	12,750
Percent of Unreimbursed Costs	58%	38%	79%

As shown above, a percentage payment of the allowable costs results in the inequitable distribution of special education millage funds. The practice of not subtracting membership receipts significantly reduces equity.

- b. Minimum gross membership allowance times the number of full-time equivalent special education students. One district set a minimum gross membership allowance. A local district's actual gross membership allowance or the minimum gross membership allowance, whichever is greater, is multiplied by the number of full-time equivalent students served to determine the amount of membership subtraction. The advantage of this practice is that it allows the ISD to pay out a higher percentage of all the constituent district's unreimbursed costs, as calculated. The higher payout percentage is achieved by reducing the amount of unreimbursed costs paid for some districts, namely those with a gross membership allowance below the established minimum. The amount of a district's gross membership allowance is determined by the number of mills levied. This practice increases the membership subtraction and thus reduces the special education millage reimbursement of districts that levy a millage below the minimum required. Districts that are either unwilling or unable to generate the necessary millage are penalized, whereas other districts with a higher gross membership allowance are comparatively rewarded. Although it is likely to be politically advantageous to show a higher payout percentage, this is accomplished at the expense of districts with a

low gross membership allowance. Therefore, this practice is viewed as one through which equity is reduced.

- c. Gross membership allowance times a standardized student head count. One ISD established a standard head count for each type of special education program. For each corresponding program type, the standard head count is multiplied by a district's gross membership allowance to determine the amount of membership subtraction. As a variance from the state method, this practice results in a larger payout percentage to all constituent school districts by reducing the amount of payment to those districts in which programs are operated with a student (FTE) count less than what is established for each program type. Therefore, larger class sizes are financially encouraged. The state method of deducting membership receipts is based on the actual number of students (FTE) in each program and is designed neither to reward nor to penalize a district for the number of students served. The rationale is that in some areas, due to geographic and/or demographic considerations, school districts are forced to operate programs with fewer students. Additionally, all districts are susceptible to receiving students who, due to the severity of their needs, require smaller-class-size placements. However, some would argue that, for densely populated areas, the practice of deducting a standard membership would increase equity because:
1. Districts are large enough generally to have the same types and numbers of students,

2. Districts are financially encouraged to serve a reasonable number of students in each program, and
3. Each district would have a similar deduction per type of program, regardless of the number of students served, resulting in the available funds being more evenly distributed among constituent districts.

The researcher sees merit in the preceding argument as applied to densely populated areas and takes no position on the equity of this practice for ISDs comprising urban and suburban populations. In other, less densely populated settings, this practice is viewed as contributing to a reduction in equity.

- d. Gross membership allowance times the student head count. One ISD multiplied a district's gross membership allowance by the total number of nonresident students to determine the membership subtraction for any nonresident students served. If an operating district receives a tuition charge for each nonresident student served that is equal to the district's gross membership allowance and each student is served full time in the special education program, this practice would be viewed as equitable. To the extent that students are placed part time in the general education program (which reduces the FTE), or the amount of tuition varies from the operating district's gross membership allowance, equity, although likely to a small degree, will be reduced.
- e. Actual net revenue per student times the number of full-time equivalent students served. Two ISDs subtracted a constituent

school district's actual net revenue per student instead of its state gross membership allowance when calculating receipts. This practice will only affect the distribution of special education millage funds in ISDs where at least one constituent school district is out-of-formula. (See discussion of additional findings for Research Question 1, page 70, for explanation of in-formula and out-of-formula school districts.) For in-formula school districts, the actual net revenue per student is their gross membership allowance. For out-of-formula school districts, the actual net revenue per student is the amount raised exclusively from local property taxes per student and per mill levied, which, by definition, always exceeds their gross membership allowance.

Because the actual net revenue per student is always larger than the gross membership allowance for out-of-formula districts, substituting the larger amount increases the membership subtraction for out-of-formula districts, which reduces their unreimbursed costs and their claim on the ISD special education millage fund. An example is given, illustrating the effect of this practice for an out-of-formula constituent district as compared to the state method of using the gross membership allowance. The information for the hypothetical ISD comprising three constituent school districts (presented in Table 11) was used with District B as an out-of-formula district with an actual net revenue per student of \$2,500.

First, membership receipts are calculated.

Practice Used For Membership Amount	Numbers of Students	x	Membership Amount	=	Membership Receipts
Gross Membership Allowance	34	x	\$2,000	=	\$68,000
Actual Net Revenue Per Student	34	x	\$2,500	=	\$85,000

Second, unreimbursed costs are calculated.

Practice Used For Membership Amount	Total Costs (DS 4096)	-	Membership Receipts	-	State Cat Aid	=	Unreimb Costs
Gross Memb. Allowance	\$140,000	-	\$68,000	-	\$10,800	=	\$61,200
Act Net Rev Per Stud	\$140,000	-	\$85,000	-	\$10,800	=	\$44,200
Difference	0		\$17,000		0		\$17,000

As shown, the unreimbursed costs are reduced by \$17,000. The total sum of all unreimbursed costs claimed by constituent districts on the ISD special education fund are also reduced (in this case) by \$17,000. For the model presented in Table 11, this would result in \$100,300 instead of \$117,300 being claimed as unreimbursed costs. With \$100,300 being claimed on the available special education fund amount of \$58,650 instead of \$117,300, the like-percent payment is increased from 50% to 58% of the unreimbursed costs claimed by each constituent district.

Many different examples could be shown of this effect, which would result in an increased like-percent payment and many variations of the unreimbursed cost patterns of whatever number of out-of-formula districts are constituents of an ISD. Using this

practice, when at least one constituent school district is out-of-formula, will always result in a higher level of actual reimbursement to the in-formula districts.

Some have argued that it is more equitable to use the actual net revenue per student in calculating membership receipts because this amount more accurately reflects the basic level of support available to each student. Others have argued that the state gross membership allowance should continue to be used in calculating membership receipts because any additional funds raised beyond the gross membership allowance have been totally provided from local revenues, and districts should not be penalized because of benefits granted totally from local support. Both arguments have strong supporters. However, in the researcher's opinion, viewing the two practices on the basis of equity, the argument that favors using the actual net revenue per student in calculating membership receipts is more persuasive, with the condition that applicable adjustments are made in the actual net per student revenue for any funds recaptured by the state.

The practices that varied from the state method for calculating state categorical aid receipts were:

- a. No state categorical aid subtraction. Two ISDs did not include state categorical aid as a receipt in calculating a constituent district's unreimbursed cost. Because state special education categorical aid is paid to a school district on the basis of a

like-percent of excess cost, this practice results in a like-percent reduction of the unreimbursed costs for each constituent school district.

If the total actual reimbursement paid to constituent districts (state categorical aid and ISD reimbursement) does not exceed the total unreimbursed costs of the constituent districts, this practice has no effect on equity in the distribution of special education millage funds. This is shown by comparing the state method of including state categorical aid as a receipt with the variant practice of not including state categorical aid as a receipt for the hypothetical ISD comprising three constituent school districts, which was presented in Table 11.

	<u>District A</u>	<u>District B</u>	<u>District C</u>
<u>State Method of Subtracting Categorical Aid Receipts:</u>			
ISD Reimbursement	\$ 21,675	\$ 30,600	\$ 6,375
<u>Practice of Not Subtracting Categorical Aid Receipts:</u>			
Total Costs (DS 4096)	\$150,000	\$140,000	\$ 60,000
Minus State Membership Receipts	-99,000	-68,000	-45,000
No Categorical Aid Subtraction	0	0	0
Equals Unreimbursed Cost Claim	51,000	72,000	15,000
Times Like-Percent*	.425	.425	.425
Equals ISD Reimbursement	\$ 21,675	\$ 30,600	\$ 6,375
<u>Difference Between Methods</u>	<u>0</u>	<u>0</u>	<u>0</u>

*Calculation of Like-Percent ($58,650 / 138,000 = 42.5\%$ or .425)

ISDs might choose not to subtract state categorical aid for the following two reasons:

1. The number of calculations is reduced, and there is no reduction in the equitable distribution of funds (given that the total reimbursement does not exceed the total unreimbursed costs); and
2. They may be able to finalize reimbursement payments to constituent districts sooner than if they waited for calculation and reimbursement of state categorical aid payments.

One ISD did not subtract state categorical aid in calculating unreimbursed costs for constituent district programs that are available to all constituent districts (center programs). This ISD also reimbursed 100% of the unreimbursed costs of center programs operated by constituent districts, which results in an overpayment of whatever amount of state categorical aid is received. Although this practice might be viewed as one in which an additional incentive is provided for constituent districts to operate center programs, it unquestionably violates the principle of equity in the distribution of special education millage support funds.

- b. Adjustments that are made for the amount recaptured by the state from out-of-formula local school districts by reducing the special education categorical aid payments. As discussed earlier (see Additional Findings for Research Question 1, p. 70), at least four ISDs were using special education millage funds to replace all or part of what the state is recapturing in general membership aid

from their out-of-formula constituent school districts. The action is a direct payment of earmarked funds (special education) to replace general funds that are already excessive according to Michigan law. In addition, the out-of-formula districts that received replacement funds for what the state recaptured also shared in the distribution of the remaining special education funds.

This practice is clearly and unquestionably contrary to the state-established system for financing public education, as well as a violation of the principle of equity. In ISDs where this practice occurs, any arguments or beliefs that special education millage funds are being distributed equitably among constituent school districts are without rational substance and can accurately be defined as illusory.

The practice that involved the subtraction of an additional receipt was made for a local district contribution. One ISD reimbursed 100% of the unreimbursed costs for classroom programs available to all constituent districts (center programs), after deducting 25% of the preceding year's unreimbursed program costs, which is the amount considered to be a local contribution from the resident district of each student served. In this ISD, the resident district was required to pay 25% of the per capita unreimbursed costs from the previous year for each of its students served in a center program. As a result, the same amount or a flat fee per student is paid by the resident district to the operating district as the amount of the local district's

contribution. The ISD used this practice to discourage placement of students in center programs. The researcher takes no position on the equity of charging an amount to the resident district for each student served in a center classroom program. However, requiring a local contribution as defined by this ISD results in a flat amount being paid to the operating district by the sending district (instead of, for example, a percentage of a sending district's gross membership allowance). It has already been shown that flat-payment systems are inequitable methods for distributing funds. Therefore, because of the method used for determining the amount of the local contribution, is viewed as one where equity among constituent districts, though likely to a small degree, is reduced.

3. Variations in the Manner of Payment

ISDs used three practices that resulted in other than a like-percent payment for all programs and services, as required by the special education rules. (Note: The unreimbursed costs of center programs may be paid in full, before the proration of other special education programs and services, as allowed in Rule 340.1811, subrule (4). This optional practice, however, is simply an efficiency measure to avoid the necessity of billing and results in the same percentage of the unreimbursed costs being paid. An example showing that the practice of first providing full support to center programs and then prorating other programs results in the same level of program support as paying a like-percent for all programs and then billing districts for

any unreimbursed costs of center programs is presented under Research Question 3, Subsidiary Question 3b, p. 136).

The practices that varied from the state method in the manner of payment were:

- a. Like-percent payment for some programs. One ISD reimbursed costs in a like-percent payment only for constituent-school-district-employed psychologists, social workers, and speech therapists. The principle of equity in the distribution of special education millage funds is based on an equal level of support for all special education programs and services. The practice of selecting some programs over others to receive special education millage fund reimbursement violates the principle of equity.
- b. Priority payment system. Three ISDs used a priority payment system in distributing special education millage funds to constituent school districts. This practice involves the assignment of special education programs into three or more groupings that designate their priority for receiving reimbursement. The programs and services grouped in the highest priority are provided a full or like-percent payment for the unreimbursed costs. Then, to the extent that funds remain, programs and services grouped in the next highest priority are provided a full or like-percent payment for the unreimbursed costs, and so on. By using this procedure, a like-percent level of support is provided for programs and services that have been assigned to the same priority level, and a varying payout percentage occurs among the different types of programs and

services, depending on where each might have been assigned to one of the prioritized reimbursement levels.

The principle of equity in the distribution of special education millage funds has been defined as a full or like-percent support for the unreimbursed costs of all special education programs and services. When all programs and services are necessary to meet the needs of handicapped children, it is impossible in the context of equity to assign a program or service to a higher or lower reimbursement level than other programs and services. Therefore, the practice of using a priority system reduces equity in the distribution of special education millage funds.

- c. Proportionate caseload payment system. One ISD set a minimum caseload count per type of program or service. If the highest caseload count during the school year meets or exceeds the established minimum, the program or service is reimbursed a full 100% of the unreimbursed costs. If the highest caseload count during the school year is less than the established minimum, the program or service is reimbursed on the basis of a percentage of the unreimbursed costs. This is calculated by dividing the highest caseload count by the established minimum caseload count. The effects, rationale, and equity of this practice are essentially the same as those of using a standardized student program count in calculating receipts, which has already been discussed. (See discussion on p. 114.)

Proportionate general membership distribution system. One ISD used a proportionate general membership distribution system to disburse special education millage funds to constituent school districts. One method that can be used to calculate a constituent district's reimbursement under this distribution system involves determining a payout percentage for each constituent school district, as follows:

1. The total ISD student membership is divided by the student membership count of each constituent district to equal its respective payout percentage.
2. The total amount available for distribution is multiplied by each constituent school district's payout percentage to determine its respective payment.

Table 13 is a comparison table indicating the differences between the state excess-cost distribution system and the proportionate general membership distribution system for the hypothetical ISD comprising three constituent school districts, which was presented in Table 11.

As shown in Table 13, District A is paid 61% of its unreimbursed costs, District B is paid 35% of its unreimbursed costs, and District C is paid 84% of its unreimbursed costs. By comparing the findings reported for the proportionate general membership distribution system in Table 13 with those reported for the flat-grant distribution system in Table 12 (both were calculated for the same hypothetical ISD comprising three constituent school districts), it is seen that an almost identical distribution of special education millage funds occurs

Table 13.--Comparison analysis of constituent district reimbursement under Rule 340.1811, subrules (2), (3) and (4), and a proportionate general membership system.

	<u>District A</u>	<u>District B</u>	<u>District C</u>
<u>State Excess Cost System</u>			
Total Unreimbursed Costs	\$43,350	\$61,200	\$12,750
<u>Times Like Payout Percent</u>	<u>x.50</u>	<u>x.50</u>	<u>x.50</u>
Amount of Reimbursement	\$21,675	\$30,600	\$ 6,375
Percent Unreimbursed Costs	50%	50%	50%
<u>Proportionate Memb System</u>			
Total Unreimbursed Costs	\$43,350	\$61,200	\$12,750
Total District Membership	2,500	2,000	1,000
<u>Divided by Intermed Memb</u>	<u>5,500</u>	<u>5,500</u>	<u>5,500</u>
Equals Proportionate Share	.454	.364	.182
Available Funds	\$58,650	\$58,650	\$58,650
<u>Times Proportionate Share</u>	<u>.454</u>	<u>.364</u>	<u>.182</u>
Amount of Reimbursement	\$26,627	\$21,348	\$10,674
Percent Unreimbursed Costs	61%	35%	84%
<u>Differences Between Systems</u>			
Total Unreimbursed Costs	0	0	0
Amount of Reimbursement	+ \$4,952	- \$ 9,252	+ \$4,299
Percent Unreimbursed Costs	+11%	-15%	+34%

among the three constituent school districts under the two systems. This occurs because the proportionate general membership system is simply a variation of the flat-grant system, as both systems are based on disbursing flat-grant amounts. To show that the proportionate general membership system also involves the distribution of a flat grant, an alternative procedure for calculating a constituent district's reimbursement is given below.

1. The amount available is divided by the number of students enrolled in the ISD to equal a flat-grant amount.
2. The flat-grant amount is then multiplied by the number of students enrolled in each constituent school district to equal its respective payment.

As explained above, the proportionate general membership distribution system results in a flat-grant amount being disbursed to constituent school districts for each student (general and special education) enrolled. Similar degrees of inequity result under this system as were reported in the findings for the flat-grant system. The arguments and discussion for the flat-grant system also apply to this distribution system.

Weighted program cost distribution system. One ISD used a weighted program cost distribution system in which funds were disbursed to constituent school districts on the basis of a flat-grant amount times the number of staff (FTE) of each type of program as weighted by the prior-three-year average program cost for each type of program across all districts. In short, this method is a relatively

complicated variation of a flat-grant distribution system. Unlike other flat-grant systems, program costs are considered in calculating reimbursement. However, like other flat-grant systems, there are no procedures to account for the differing levels of basic per student support (gross membership allowance) among districts. To show the effect of the weighted program cost distribution system, a comparison of this system with the state excess-cost distribution system is shown in Table 14 for the hypothetical ISD presented in Table 11. The sample calculations for the weighted program cost distribution system are presented Table 15.

As shown in Table 14, for the weighted program cost distribution system, District A is paid 57% of its unreimbursed costs, District B is paid 39% of its unreimbursed costs, and District C is paid 80% of its unreimbursed costs. Similar to other flat-grant systems, the weighted program cost distribution system produces considerable inequities among constituent school districts in terms of the amounts reimbursed. The arguments and discussion for the flat-grant system also apply to the weighted program cost distribution system, except that it is not easy to understand.

Subsidiary Question 2c. How do the reasons given for using an alternative method relate to the equitable distribution of these funds as embodied within Rule 340.1811, subrules (2), (3), and (4)?

Findings. As reported in the findings for Subsidiary Question 1d, only two ISDs included reasons for using an alternative method in their

Table 14.--Comparison analysis of constituent district reimbursement under Rule 340.1811, subrules (2), (3), and (4), and a weighted program cost distribution system.

	<u>District A</u>	<u>District B</u>	<u>District C</u>
<u>State Excess Cost System</u>			
Total Unreimbursed Costs	\$43,350	\$61,200	\$12,750
<u>Times Like Payout Percent</u>	<u>x.50</u>	<u>x.50</u>	<u>x.50</u>
Amount of Reimbursement	\$21,675	\$30,600	\$ 6,375
Percent Unreimbursed Costs	50%	50%	50%
<u>Weighted Program Cost System</u>			
Total Unreimbursed Costs	\$43,350	\$61,200	\$12,750
Amount of Reimbursement ^a	\$24,883	\$23,584	\$10,179
Percent Unreimbursed Costs	57%	39%	80%
<u>Differences Between Systems</u>			
Total Unreimbursed Costs	0	0	0
Amount of Reimbursement	+ \$3,208	- \$7,016	+ \$3,804
Percent Unreimbursed Costs	+7%	-11%	+30%

^aCalculations of weighted program cost distribution system are reported in Table 15.

Table 15.--Calculations for hypothetical weighted program cost distribution system.

Professional Staff and Total Program Cost Data, by District								
Dist	EMI Program		EI Program		LD Program		Totals	
	Prof Staff	Total Costs	Prof Staff	Total Costs	Prof Staff	Total Costs	Prof Staff	Total Costs
A	3.0	\$ 85,000	0.0	\$ 0	2.0	\$ 65,000	5.0	\$150,000
B	1.0	\$ 25,000	2.0	\$ 80,000	1.0	\$ 35,000	4.0	\$140,000
C	1.0	\$ 25,000	0.0	\$ 0	1.0	\$ 35,000	2.0	\$ 60,000
Totals	5.0	\$135,000	2.0	\$ 80,000	4.0	\$135,000	11.0	\$350,000

Calculation of Program Weights							
Prog	Total Costs	/	Prof Staff	=	Average Prog Costs	/	Total Ave Prog Costs
EMI	\$135,000	/	5.0	=	\$ 27,000	/	\$ 31,818
EI	\$ 80,000	/	2.0	=	\$ 40,000	/	\$ 31,818
LD	\$135,000	/	4.0	=	\$ 33,750	/	\$ 31,818

- For calculating program weights, it was assumed that the current average program costs reflect three-year average program costs.
- Total Average Program Costs = Total Program Costs / Total Prof Staff
 $\$31,818 = \$350,000 / 11.0$

Calculation of the Amount of a Distribution Unit							
Prog	Prof Staff	x	Prog Weight	=	Dist Weight		
EMI	5.0	x	0.8485	=	4.2425	Amount Available/	\$58,650
EI	2.0	x	1.2571	=	2.5142	Total Dist Weights	10.9995
LD	4.0	x	1.0607	=	4.2428	Amount of Dist Unit	\$ 5,332
Total Dist Weights				=	10.9995		

Determining Total Amount of Reimbursement							
District A							
Prog	Prof Staff	x	Prog Weight	=	Total Number Dist Units	x	Amount of Dist Unit
EMI	3.0	x	0.8485	=	2.5455	x	\$ 5,332
EI	0.0	x	1.2571	=	0.0000	x	\$ 5,332
LD	2.0	x	1.0607	=	2.1214	x	\$ 5,332
Total Amount of Reimbursement				=			\$ 24,883

District B							
Prog	Prof Staff	x	Prog Weight	=	Total Number Dist Units	x	Amount of Dist Unit
EMI	1.0	x	0.8485	=	0.8485	x	\$ 5,332
EI	2.0	x	1.2571	=	2.5142	x	\$ 5,332
LD	1.0	x	1.0607	=	1.0607	x	\$ 5,332
Total Amount of Reimbursement				=			\$23,584

District C							
Prog	Prof Staff	x	Prog Weight	=	Total Number Dist Units	x	Amount of Dist Unit
EMI	1.0	x	0.8485	=	0.8485	x	\$ 5,332
EI	0.0	x	1.2571	=	0.0000	x	\$ 5,332
LD	1.0	x	1.0607	=	1.0607	x	\$ 5,332
Total Amount of Reimbursement				=			\$10,179

special education plans. One ISD in which a flat-grant distribution system was used for disbursing special education millage funds stated the following reasons within their special education plan.

Rationale for the Current Method of Distributing _____ I.S.D. Special Education Funds. This method of distributing special education millage funds has been adopted for the following reasons:

1. It does not violate the principle of "added cost" reimbursement. No school district has received--nor will receive--more money for the operation of special education programs and services than the total expenditures for those programs and services. Reimbursement from all sources of funding, including gross membership allowance, State categorical aid, federal grants and intermediate funds, is not adequate to meet the total cost of special education programs and services for any one of the ____ local constituent school districts.
2. The Intermediate District and all constituent school districts have agreed on this method of distributing funds.
3. It is relatively simple to administer.
4. It allows the Intermediate District to distribute the funds during the current fiscal year rather than the following school year. This tends to ease the cash flow problems of the constituent school districts.

Each of the preceding reasons is briefly discussed in the following paragraphs.

The first reason stated that the flat-grant distribution system used by the ISD "does not violate the principle of 'added cost' reimbursement" because the amount reimbursed did not exceed the difference between receipts and expenditures for special education programs and services in any constituent school district. This is like stating that because the payment is less than the unreimbursed costs, the principle of "added cost" reimbursement is being upheld regardless of how the funds might be proportioned among constituent districts. Many would

question such a definition of the principle of added-cost reimbursement. Others would bluntly consider the definition absurd. In any case, the principle of equity in the distribution of special education millage funds, as previously defined, is not supported by the stated premise.

The second reason given was that all constituent districts had agreed to a flat-grant distribution system. An agreement to distribute funds in an inequitable manner does not negate the fact that funds were being distributed inequitably.

A flat-grant system's being a method that is relatively easy to administer was provided as the third reason. The researcher recognizes the administrative advantages to using a distribution system that is easier to understand and in which the number of calculations is reduced in comparison to the state distribution methods. Nevertheless, the relative administrative ease is viewed as a weak rationale for using a distribution system that results in the inequitable distribution of funds among constituent districts.

The fourth reason presented was that, by using a flat-grant distribution system, support funds could be disbursed sooner to constituent school districts. Politically, it is probably popular for constituent school districts to receive funds sooner rather than later. However, it is of little consequence to the equitable distribution of special education millage funds when the act of distribution takes place. Sooner or later, the result is the inequitable distribution of funds under a flat-grant system. The argument is also suspect because

there is nothing to prevent timely payment of estimated claims or advances of such claims in any system.

The other ISD that included the reasons for desiring an alternative method practiced two variations from the state distribution methods. Of the two practices, one varied in the calculation of receipts, and the other varied in the manner of payment. These variations and the reasons given for the practices are briefly discussed.

In calculating receipts for classroom programs available to all constituent districts (center programs), an additional subtraction (receipt) was taken for a local (resident) district contribution for each student placed in a center program. The rationale given was that this practice would discourage unnecessary placements in center programs. As noted earlier (see discussion of the practice involving an additional receipt for a local district contribution, p. 121), no position was taken on the equity of this practice. Also noted was that the particular procedure employed in determining the amount of the local district contribution resulted in a flat payment, and, as a result, equity was reduced. However, the question in this case is how the reasons for using the practice relate to the equitable distribution of funds. If the amount of the local district's contribution was determined to be equitable (for example, a percentage of a district's gross membership allowance), and no student was denied a needed service because of the amount of the local district's contribution, this practice and the rationale are seen as compatible with the principles of equity in the distribution of special education millage funds.

The second practice varied in the manner of payment, where a priority system was used. Rule 340.1811, subrule (4), was cited as the legal support and was the reason given for using a prioritized payment system. (See discussion of this practice on p. 123.) Following is the statement made at the conclusion of the groupings for priorities II, III, IV, and V.

(Reimbursement is dependent upon the adequacy of I.S.D. funds to make such payments--Rule 340.1811[4]).

The full text of Rule 340.1811, subrule (4) reads:

(4) When intermediate school district special education tax funds are insufficient to reimburse constituent district claims in full, a like percentage of the claim shall be paid for support of each program and service to each constituent school district. Claims for the operation of special education programs and services available to all constituent school districts may be reimbursed in full before any prorated payment which may become necessary for other programs and services.

The provisions of this subrule state that a like-percent of the unreimbursed costs will be paid for each program in each constituent district. Citing this subrule as the reason for using a prioritized payment system was a misinterpretation of the provisions. A prioritized payment system results in funds being disbursed in a varying payout percentage. This violates the methods for the equitable distribution of funds contained in subrule (4), which call for a full-support or like-percent payment to each program in each constituent school district.

Research Question 3

What was the effect of any discrepancies by ISDs in following Michigan Special Education Rule 340.1812 as related to the principle of equitable distribution?

Intention of Inquiry

Rule 340.1812, comprising two subrules, governs ISD use of special education millage funds for programs and services operated by the ISD. This rule contains provisions to ensure that whether a program or service is provided by the ISD or a constituent school district, the same level of special education millage support will be provided. The intention of this inquiry was to discover to what extent equity is affected by any ISDs that were not complying with these provisions.

Subsidiary Question 3a. How many ISDs were not following Rule 340.1812, subrules (1) and/or (2)?

Findings. Subrule (1) is an optional rule, and, as was reported in Table 5, all 39 districts to which it applied elected to follow the optional provisions of first paying ISD costs for special education programs and services available to all constituent districts, before prorating reimbursement for other special education programs and services.

Subrule (2) requires ISDs that provide direct services in some, but not all, constituent school districts to bill those districts receiving direct services for the difference between the total unreimbursed costs and the level of support provided to other constituent school district programs. As shown in Table 5, of the 21 districts in

which this subrule applied, ten were not following the required provisions.

Subsidiary Question 3b. How is the principle of equitable distribution affected by ISDs, if any, that were not following Rule 340.1812, Subrules (1) and/or (2)?

Findings. Subrule (1) allows an ISD to pay first its own costs for providing programs and services available to all constituent school districts, before prorating the costs for other special education programs and services. The following example shows that this option allows billings to be avoided and results in the same level of support as does the practice of prorating payments for all unreimbursed costs (Mange, 1984).

1. An ISD has \$1,000,000 of special education millage funds available to support special education programs and services.
2. The total unreimbursed costs for special education programs and services (after subtracting state membership and categorical aid receipts) are as follows.

Programs Available to all Constituent Districts		Other Special Education Programs and Services		Total Unreimb Costs
\$ 500,000	+	\$ 1,000,000	=	\$ 1,500,000

3. Special education millage fund reimbursement alternatives:
 - a. Paying the full unreimbursed costs of programs and services available to all constituent districts before prorating the payments for other constituent district programs and services.
The ISD pays the full \$500,000 unreimbursed costs of programs

and services available to all constituent school districts first. Then with the \$500,000 remaining, a 50% pay out is made to support the \$1,000,000 of unreimbursed costs for other special education programs and services.

- b. Prorating the total unreimbursed costs, then billing constituent districts for the remaining unreimbursed costs for programs and services available to all constituent districts.

The ISD determines that the available special education millage funds will cover only two-thirds of the total unreimbursed costs (\$1,000,000 of \$1,500,000). Constituent districts are billed for one-third of the unreimbursed program costs for programs available to all constituent districts which equals \$166,666.66. All other unreimbursed costs are paid off at 66-2/3% which results in \$333,333.34 for programs available to all constituent districts and \$666,666.66 for other special education programs and services.

4. Net amount of special education millage funds available to support programs and services available to all constituent school districts:

- | | |
|--------------------|--------------------|
| a. Under 3a above: | \$ 500,000 |
| b. Under 3b above: | \$ 166,666.66 |
| | <u>+333,333.34</u> |
| | \$ 500,000 |

5. Net amount available to support other special education programs and services:

a. Under 3a above:	\$ 500,000
b. Under 3b above:	\$ 666,666.66
	<u>-166,666.66</u>
	\$ 500,000

As shown in the example above, when the ISD first pays its own costs for providing special education programs and services available to all constituent school districts and then prorates the remaining funds, it results in the same actual amount of reimbursement as prorating reimbursement for all programs and services and then billing the constituent school districts for the remaining unreimbursed costs for the programs and services available to all constituent districts. The first method is more efficient because billing is avoided. Because the actual amount of reimbursement is the same in both cases, the option allowed by subrule (1) has been embodied within Rule 340.1812 (Mange, 1985). In either case, the equity in the distribution of special education millage funds is identical. The advantages, as allowed by subrule (1) to avoid billings, are supported by the fact that all 39 ISDs for which the subrule is applicable have elected to follow this option.

Subrule (2) requires ISDs where payments to constituent school districts are prorated and where direct service is provided in some, but not all, constituent school districts to bill those districts receiving the direct service for the difference between the total unreimbursed costs and the level of support provided to all other

constituent districts. This provision protects districts that provide their own programs and services from having to pay a larger share of their unreimbursed costs than districts that receive these services from the ISD. To give an example of how this subrule might be violated, suppose an ISD operates school psychologist services for four of its six constituent school districts, and the remaining two districts operate their own school psychologist services. If the ISD first paid its own costs for operating the school psychologist program and then prorated the costs of the school psychologist employed by the two districts operating their own programs, four districts would pay nothing and two would be responsible for the difference between their unreimbursed costs and the amount of the proration. A major discrepancy in equity among the constituent districts would occur. To protect against this type of inequity, subrule (2) requires that the four constituent districts be billed for the difference between the total expenditures for the ISD to provide them school psychologist services and the amount of prorated support that is provided to support all other constituent district programs and services. The intended effect is to provide equity by requiring the same level of support and the same level of remaining unreimbursed costs among all constituent districts.

As reported in the findings for Subsidiary Question 3b, 10 of the 21 ISDs that provided direct services in some but not all constituent school districts were not following the provisions of this subrule. This practice results in major reimbursement inequities among con-

Research Question 4

What has the Michigan Department of Education done to ensure that ISDs follow Michigan Special Education Rules 340.1811 and 340.1812, which govern the distribution and use of special education millage funds?

Intention of Inquiry

The Michigan State Board of Education has promulgated rules that govern the distribution and use of special education millage funds. The intention of this inquiry was to discover to what extent procedures were in place at the state level to ensure that ISDs distribute special education millage funds equitably to constituent school districts, as required by Rules 340.1811 and 340.1812.

Subsidiary Question 4a. What criteria were used by the Michigan Department of Education to approve alternative methods for distributing special education millage funds that had been submitted for approval (Rule 340.1811 [7]) as part of an ISD special education plan?

Findings. The interview with the designee of the Department of Education Director of Special Education revealed that no written criteria or procedures were in place to approve or disapprove an alternative method for distributing special education millage funds that had been submitted for approval as part of an ISD special education plan. This is reported in a letter summarizing the interview, which was sent to the Department designee following the interview (Appendix J).

In the response letter received from the designee (Appendix K), he stated that certain criteria would have to be met for an alternative method to be approved. Five specific criteria were listed. However,

no indication was given that any procedures existed to ensure that an alternative method submitted for approval as part of an ISD special education plan complied with any of the stated criteria.

Further investigation revealed that the State Department of Education determined a recommendation for approval or disapproval of a special education plan according to a list of requirements contained on a checklist by which each plan was reviewed and evaluated (Appendix L). This list of requirements did not include the review or evaluation of an alternative method for distributing special education millage funds that had been submitted for approval as part of an ISD special education plan. Therefore, regardless of the criteria necessary for approval, an alternative method for distributing special education millage funds that had been submitted for approval as part of an ISD special education plan appears to have been automatically approved by default because there are no written criteria for evaluation of an alternative method and no specific entries in the checklist for plan approval pertaining to the distribution of special education millage funds.

Subsidiary Question 4b. What monitoring activities have been undertaken by the Michigan Department of Education to ensure that ISDs were in compliance with Rules 340.1811 and 340.1812, which govern the distribution of special education millage funds?

Findings. The interview with the Department of Education Director of Special Education designee revealed that no monitoring is currently being done related to Rules 340.1811 and 340.1812. This is reported in a letter summarizing the interview, which was sent to the designee

following the interview (Appendix J). In a response letter received from the designee (Appendix K), he stated, "Special Education Services does not 'monitor the application' of R340.1811 or R340.1812." The letter went on to say:

What the Department does is review and approve costs that are reimbursable. These costs then become the basis for the receipt of state aid and the basis for the distribution of intermediate millage. Remember, the criteria for the distribution of intermediate millage in R340.1811(1) are that the millage will only be used for programs "approved for reimbursement by the Department." There is generally no need for the Department of Education to monitor the implementation of this rule since the responsibility for accounting for the distribution of funds by statute rests with the intermediate board of education.

The intermediate board, as indicated in Part 7 of the School Code, has responsibility for the maintenance and control of funds consistent with the law. Section 622 of the School Code requires the intermediate board to set up a set of accounts approved by the State Board and to have its books audited annually. Under the supervision and control provisions (Section 611), the intermediate board is responsible for the overall operation and expenditure of funds consistent with state law and rules. The intermediate superintendent, as the chief executive officer, is responsible to the board for the administration of funds as part of the performance of duties required under Section 153.

Intermediate districts submit to the Department of Education a copy of their audit. Department Services reviews each audit; and if there are any findings that indicate discrepancies in distribution of funds related to special education, these are forwarded to our office for review. These normally deal with discrepancies and distribution of federal funds.

It is the responsibility of the intermediate district board of education and the superintendent as their executive officer to assure that the funds are distributed in accordance with rules promulgated by the Department. The Department approves the costs for which funds can be distributed and the school district auditor should be testing the expenditures of funds according to those costs. If there is a complaint, the Department can investigate under special education rules and can complete a fiscal audit under Section R380.1281 of the School Code.

Some would disagree with the premise that there is no need for the State Department of Education to monitor the application of Rules 340.1811 and 340.1812. Others would also question whether the responsibility rests with the ISD boards of education to monitor themselves. The Department does monitor other areas of program operation, even though the responsibility to act in compliance with regulations rests with the district and the superintendent as their executive officer. Hence, this position is not consistent with Department practice in these other areas.

The findings of this study indicate that there are major variations among ISDs in the application of Rules 340.1811 and 340.1812. The State Department of Education does not appear to be engaged in monitoring the application of these rules.

CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

Introduction

To avoid possible misinterpretation of the conclusions of this study, a brief discussion of the distinction between equity in the distribution of support funds and the quality of educational programs is given. Equity is based on the concept of fair treatment in financial support, in which the available monetary resources are partitioned in such a way among those receiving support that none is advantaged or disadvantaged. Special education millage funds are raised from a levy voted by the electors of an ISD. These funds are provided to support the unreimbursed excess costs of educational programs and services for all the handicapped children of the ISD. Under the principle of equity, no constituent school district is to be advantaged or disadvantaged in receiving its share of special education millage support for the education of handicapped children. However, equity should not be confused with the quality of educational programs. Some might assume that, when inequity occurs in the distribution of special education funds, the quality of special education programs and services is affected. This cannot be assumed. Equity in the distribution of funds and the quality of educational programs are different measures, which occur on two different philosophical planes that are not necessarily

linked. Readers are urged to avoid linking the two terms when considering the conclusions of this study.

Conclusions

Conclusion 1

ISDs that have elected to distribute special education millage funds by an alternative method to the distribution system embodied within the Michigan Special Education Rules should be required to comply with the provisions of Rule 340.1811, subrule (7).

Discussion

Michigan Special Education Rule 340.1811, subrule (7), allows an ISD to use an alternative method to the state excess-cost system embodied in the Rules for distributing special education funds if the alternative method and the reasons for so using are submitted for approval as part of the ISD's special education plan. The purpose of this subrule is to allow ISDs the flexibility of devising various alternative methods that might be more appropriate to their specific needs in distributing special education millage funds to their constituent school districts. The subrule is intended to protect equity by requiring that any alternative method and the reasons therefor be submitted for state approval in an ISD's special education plan. The subrule was expected to force the Michigan Department of Education to adopt criteria for approval consistent with the principle of equity provided in previous legislation and in other parts of the Rule (Mange, 1985).

ISD special education plans must be developed in cooperation with all constituent school districts, as well as a parent advisory committee. Therefore, any alternative method for distributing special education funds must be presented for the review of all local districts and a parent advisory committee before being presented to the state for approval. This process would appear to provide both a reasonable amount of flexibility in the development and use of an alternative special education millage distribution system and an approval procedure that would protect against developing a distribution system in which equity in the disbursement of these funds is unnecessarily reduced.

However, many ISDs that used an alternative method to distribute special education millage funds were found to be ignoring the requirement to submit the alternative method and the reasons for its use to the state for approval as part of their special education plans. As presented in the summary discussion for Research Question 1 and reported in Table 5, 33 ISDs elected to distribute special education millage funds by an alternative method. Of these 33 districts, only 17 had submitted the alternative method in their special education plans. Fifteen of the 17 districts did not include the required reasons for using an alternative method. Therefore, only 2 of the 33 ISDs in which an alternative method was being used were complying with the requirement that the alternative method and the reasons therefor be submitted for state approval as part of their special education plans. Whatever procedures were in place to monitor compliance with Rule 340.1811,

subrule (7), appear to be ineffective because many districts have been ignoring the requirements.

Conclusion 2

The Michigan Department of Education should require ISDs to comply with Rule 340.1812, subrule (2), in cases in which direct service is provided for some, but not all, constituent school districts.

Discussion

Rule 340.1812, subrule (2), is designed to ensure that the same level of special education millage fund support is provided for all special education programs and services within a given ISD. The same level of support is required for special education programs and services, regardless of whether these programs are operated by the ISD or a constituent school district. This rule does not allow an ISD to provide services on behalf of some constituent school districts free of charge and then to prorate support to other constituent districts for operating the same types of services. Such a practice is a major violation of the equity principle.

As shown in Table 5 and reported in the findings for Research Question 1, Subsidiary Question 1g, of the 21 ISDs in which some types of special education programs and services were operated by both the ISD and at least one of its constituent school districts, ten were not following the requirements of Rule 340.1812, subrule (2). These ten ISDs were providing free special education services for some constituent school districts and prorating payments for the same types of services operated by other constituent school districts.

Conclusion 3

Some ISDs have been inappropriately using earmarked special education millage funds to supplement the general education programs of their out-of-formula constituent school districts.

Discussion

Michigan Special Education Rule 340.1811, subrule (1), requires that special education millage funds be used solely to support special education programs and services. As reported in the additional findings for Research Question 1, at least four ISDs were using special education millage funds to pay all or part of what the state recaptured from the general fund revenues of their out-of-formula constituent school districts. In short, this practice involved using earmarked special education millage funds to support the general education programs of out-of-formula school districts, which the state had already determined to be receiving excessive revenues. This practice is unquestionably an inappropriate use of special education funds, which results in major reductions of equity and also violates the basic principles of the state system for support of public education.

Conclusion 4

Few ISDs are making a serious effort to comply with the Michigan Rules governing the distribution of special education millage funds because there has been no apparent system for monitoring compliance with these Rules.

Discussion

Michigan Special Education Rules 340.1811 and 340.1812 were designed to govern the equitable distribution of special education

millage funds. As presented in the summary discussion for Research Question 1 and as shown in Table 5, of the 42 ISDs studied that were required to follow Rule 340.1811, subrules (2), (3), and (4), or subrule (7), and/or Rule 340.1812, only nine were complying with the provisions. It is unlikely that such great discrepancy in complying with the required rules governing the distribution of special education millage funds would have occurred if ISDs were making a genuine effort to follow the provisions.

As reported in the findings for Research Question 4, Subsidiary Question 4b, the Michigan Department of Education has not been monitoring the application of the Michigan Special Education Rules governing distribution and use of ISD special education millage funds. A designee for the Department reported that responsibility for monitoring the application of these rules rests with the ISDs and their superintendents as the chief executive officers. As noted in the discussion of the findings, the State Department of Education has elected to monitor other areas in which, using the same pattern of logic presented by their designee, the responsibility rests with ISDs and their chief executive officers. Therefore, the reason given for not monitoring the application of these Rules appears to be inconsistent with the reasons for monitoring other areas.

No apparent system exists to monitor compliance with the state Rules governing the equitable distribution and use of special education millage funds. Districts do not seem to be making a serious effort to

comply with the required provisions, nor does it appear they have been challenged to comply.

Conclusion 5

The flat-grant system, proportionate general membership system, and weighted program cost system are alternative methods used by some ISDs to distribute special education millage funds. These distribution methods result in varying degrees of reimbursement inequity among constituent school districts.

Discussion

As presented in the findings for Research Question 2, Subsidiary Question 2b, and reported in Tables 12, 13, and 14, the flat-grant distribution system, the proportionate general membership distribution system, and the weighted program cost distribution system are alternative methods that can result in considerable reimbursement inequity among constituent school districts. As reported, seven districts used a flat-grant system, one used a proportionate general membership system, and one used a weighted program cost system for distributing special education millage funds to constituent school districts. With the amount of inequity involved in these practices for distributing special education millage funds, their continued use would be difficult to justify if financial equity is a goal.

Conclusion 6

The alternative methods used by ISDs in which the practices differed from the state-specified distribution system in determining allowable costs, calculating receipts, and/or the manner of payment result in varying degrees of reimbursement equity among constituent school districts.

Discussion

As presented in the findings for Research Question 2, Subsidiary Question 2b, and shown in Table 9, 24 ISDs used methods that were variations of the state-specified excess-cost distribution system. These methods differed from the state methods in the practices used in determining allowable costs, calculating receipts, and/or the manner of payment. Distribution of funds among constituent school districts under the various practices resulted in varying degrees of equity. Some of the variant practices had little or no effect on the equitable distribution of special education millage funds. With a number of these practices, equity was not significantly reduced. However, other practices resulted in greater inequity in the distribution of funds. On the basis of equity, it would be difficult to justify the continued use of the following practices that differed from the state methods in:

1. Determining allowable costs. The practice of including an additional amount to support general education administration.
2. Calculating receipts. The practices of not subtracting membership receipts, using a minimum gross membership allowance, making a larger membership subtraction for nonresident students served in center programs, and not subtracting categorical aid receipts for center programs.
3. The manner of payment: The practices of using a priority payment system and paying a like-percent for selected programs. All programs and services required under law and needed by a given handicapped student should receive an equal level of financial support.

Conclusion 7

Alternative methods for distributing special education millage funds that were submitted for approval in an ISD special education plan appear to have been granted Michigan Board of Education approval by default because the Michigan Department of Education apparently did not review these alternative methods.

Discussion

As reported in the findings for Research Question 4, Subsidiary Question 4a, the State Department of Education did not have written criteria or procedures to approve or disapprove an alternative special education millage distribution method submitted for approval in an ISD special education plan. The Michigan Department of Education annually presents each ISD's special education plan to the State Board of Education for approval. As all 1984-85 special education plans had been approved by the State Board of Education, any alternative method for distributing special education millage funds included in a plan appears to have been approved automatically because no staff review of the alternative method was apparent.

It is possible that the State Department of Education did not have procedures to approve or disapprove an alternative method due to an error of omission when the rules governing the distribution of special education millage funds were promulgated by the Michigan Board of Education in 1980. As presented at the conclusion of Chapter II, all but one of the recommendations of the 1977 Task Force on Special Education for Rule changes concerning the distribution of ISD special education millage funds were implemented. This recommendation was to add a

specific place within the required components of an ISD special education plan (Rule 340.1832) where a desired alternative method and the reasons therefor were to be included. The State Department of Education categories that were used in reviewing and evaluating ISD special education plans (Appendix M) are based almost entirely on the required components listed in Rule 340.1832. Therefore, not following the recommendation of the 1977 Task Force on Special Education to add a specific place for the inclusion of an alternative distribution method in an ISD special education plan might have led some ISDs to omit an alternative method for distributing special education millage funds from their special education plans. It might also have led the State Department of Education to omit the review and evaluation of any alternative special education millage distribution systems that were submitted for approval within a special education plan.

Conclusion 8

If equity in the distribution of special education millage funds is to become a reality, statewide monitoring and enforcement activities will have to be established to uphold the principles of equitable distribution of funds as embodied within the Rules.

Discussion

In the past, when ISDs were left to monitor their own practices in distributing special education millage funds (see discussion in Chapter I concerning the events leading to the problem with distributing special education millage funds), many variant distribution practices resulted. Three reasons are offered here as to why ISDs, when left on

their own, may adopt methods that result in the inequitable distribution of special education millage funds. First, the effects of changes in one or more aspects of the complex system of special education funding are conceptually difficult to understand, and what appears on the surface to be an equitable method may, in fact, not result in equity. Second, certain practices are sometimes adopted for administrative ease. Third, the variant practices have evolved over a considerable period of time; these methods may have become accepted practices that are resistant to change.

Unfortunately, the complexity of the total special education funding and operational system predisposes toward misunderstanding and a strong desire for simplification. Most special education funding is provided through general membership support, special education categorical aid, and ISD special education tax funds. Each of these revenue sources requires a conceptual understanding and several calculations that make error and misunderstanding likely. As a result, many administrative personnel may have partial knowledge of the system but cannot readily understand the effect of variant practices on the principles of equity.

Adoption of variant practices for reasons of administrative ease may be a logical result of the problem of complexity discussed above. Even when the ISD special education administrator is fully cognizant of the system and its effects, it may often require an extensive effort to help constituent district personnel achieve such understanding. The temptation is often great to simplify the reimbursement system because

of ease of calculation and ease of communicating the system to constituents.

The nature of the process of change itself is such that walls of resistance are almost always involved. In cases where an alternative method of distributing special education millage funds is being used, which results in the inequitable distribution of these funds among constituent districts, the walls of resistance might be politically reinforced by those districts benefited by the method. The advantaged districts, because of their self-interest, could make it politically difficult to alter the system. Without an outside force such as the state, there might be considerable internal political resistance from some constituent districts, which could restrict an ISD's ability to alter by itself the current distribution method.

As reported in the findings for Research Question 4, Subsidiary Question 4b, ISDs have been responsible primarily to themselves for monitoring the application of rules governing the distribution of special education millage funds because the State Department has not been monitoring such application. As in the past, and according to the findings of this study, the state practice of allowing ISDs to monitor themselves in distributing special education millage funds has not proven effective. If the state's goal is to ensure the equitable distribution of special education millage funds among and within ISDs as required by Rules 340.1811 and 340.1812, statewide monitoring and enforcement activities will have to be established.

Recommendations

The following recommendations are offered, based on the findings and conclusions of this study concerning the equitable distribution of ISD special education millage funds to constituent school districts in Michigan. It is recommended that:

1. The Michigan Department of Education accept responsibility for working with ISDs to ensure compliance with the Michigan Special Education Rules governing the equitable distribution of special education millage funds through formal monitoring of practices and enforcement of existing regulations pertaining to reimbursement of constituent district programs.
2. The Michigan Department of Education develop written criteria and procedures for the approval or disapproval of an alternative method for distributing special education millage funds and the reasons given for so using, which have been submitted for approval in a special education plan. It is suggested that, accompanying a desired alternative method and the reasons for its use, an ISD also be required to include, by each constituent district, a list of the estimated percentage of unreimbursed costs that would occur under the alternative method, based on the most recent cost data available.
3. The Michigan Department of Education indicate a specific place where an alternative method and the reasons for its use are to be included in an ISD's special education plan.

4. The practice by which ISDs have used earmarked special education funds to repay all or part of what the state has recaptured from general fund revenues of their out-of-formula school districts be fully investigated and curtailed. The Michigan Department of Education should consider requiring any out-of-formula district that received earmarked special education millage funds as repayment for what the state recaptured from its general fund revenues to repay the cumulative amount of funds received, plus applicable interest. It is further recommended that the state legislature consider directly billing out-of-formula school districts for amounts to be recaptured. It is difficult for districts in which funds are being recaptured to view a reduction in categorical support as other than a reduction in categorical support.
5. The practice by which ISDs provide services to some constituent school districts free of charge and prorate payments for the same types of services to other constituent school districts be stopped. It is suggested that ISDs (and local school districts) be sent a communication explaining the provisions of Rule 340.1812 and informing them of the intention to monitor compliance with this rule in the future.

Recommendations for Future Research

This study addressed equity in the distribution of special education millage funds based on state and local support received for the yearly operational expenses of special education programs and services. Several other factors that are likely to affect equity in the

distribution of special education millage funds were not studied.

These factors are:

1. Federal funds. Unless an alternative method has been included and approved in an ISD special education plan, Rule 340.1811, subrule (3), requires that federal funds received by constituent districts be included as a receipt in calculating their unreimbursed costs. It is not known if this requirement is followed consistently. The interaction of federal funds with state and local support funds received as these affect equity in the distribution of ISD special education millage funds is believed to be worthy of study.
2. Billback and tuition payment systems. For various reasons, many ISDs have devised systems of billbacks and/or tuition charges for special education programs and services operated by the ISD and/or constituent school districts. No special education rules exist to protect equity under these practices. For example, several ISDs do not reimburse constituent school districts because their special education millage funds are insufficient to support the full unreimbursed costs of programs and services operated on behalf of their constituent school districts. These ISDs have devised billback systems to charge constituent school districts for their remaining unreimbursed costs. Many ISDs have also designed tuition payment systems to support all or part of the unreimbursed costs for students served in programs operated by districts other than their resident district. The effect of the various billback and tuition payment systems for the support of special education

programs and services as these influence equity in the distribution of special education millage funds is unknown.

3. Special education transportation. Unless an alternative transportation funding method has been submitted and approved in an ISD special education plan, Rule 340.1811, subrules (2), (3), and (4), governs the use of special education millage funds for the reimbursement of special education transportation. It is not known if this Rule is being followed or how equity in the distribution of special education millage funds might be affected by the use of any variant practices.
4. Other uses of special education millage funds. To varying degrees, ISDs use special education millage funds for purposes other than to support the unreimbursed costs involved in providing special education programs and services. Most districts use or have used special education millage funds for buildings and other capital-outlay expenditures. What other uses are made of special education funds and how equity might be affected are unanswered questions.

APPENDICES

APPENDIX A

MICHIGAN PUBLIC ACT 18 OF 1954

PUBLIC AND LOCAL ACTS
OF
THE LEGISLATURE

OF THE
State of Michigan

PASSED AT THE
REGULAR SESSION OF 1954

**CONTAINING JOINT RESOLUTIONS, AMENDMENTS TO
CONSTITUTION AND ABSTRACTS OF PROCEEDINGS
RELATIVE TO CHANGE OF BOUNDARIES OF TOWN-
SHIPS AND INCORPORATION, ETC., OF CITIES AND
VILLAGES.**



COMPILED BY
OWEN J. CLEARY
SECRETARY OF STATE

FRANKLIN DEKLEINE COMPANY, STATE PRINTERS, LANSING, MICHIGAN
1954



If any person liable for a tax levied hereunder shall sell out his business or stock of goods, or shall cease his business activity, such person shall make a return within 15 days thereafter covering any period for which no return has been filed, and shall remit the amount of tax, interest and penalties shown to be due.

The department, upon application of the taxpayer and for good cause shown, may extend the time for making any return required by this act.

Interest at the rate of 6% per annum shall accrue during the period of any such extension.

205.562 Same; notice to taxpayer; hearing, appeal, injunction. [M.S.A. 7.557(12)]

Sec. 12. In carrying out the provisions of section 10 of this act, the department shall, after determining the amount of tax due from any taxpayer, give notice to such taxpayer of its intent to levy such tax. Such taxpayer may, if he so desires and serves notice thereof upon the department within 20 days, demand a hearing on the question of his liability for such assessment. Thereupon the department shall set a time and place for hearing and shall give the taxpayer reasonable notice thereof.

The taxpayer shall be entitled to appear before the department and be represented by counsel and present testimony and argument. After the hearing the department shall render its decision in writing and, by order, levy any tax, interest and penalty found by it to be due and payable.

Any taxpayer aggrieved by any determination of tax liability made by the department may appeal to the state board of tax appeals from such determination under the provisions of Act No. 122 of the Public Acts of 1941, as amended, being sections 205.1 to 205.17, inclusive, of the Compiled Laws of 1948, or he shall be required to pay the amount of tax found to be due by the department and shall be permitted to bring an action in the circuit court in any county in which he transacts business, to recover the amount of tax alleged to have been unlawfully required of such person. Such action must be commenced within 6 months after payment of such tax or after the adverse determination by the department of the validity of the taxpayer's claim for refund under section 7 of this act, whichever occurs later, and shall be conducted in accordance with the statutes and rules of procedure concerning actions at law not inconsistent with the provisions of this act.

No injunction shall issue to stay proceedings for the assessment and collection of any tax levied under this act.

205.567 Same; tax to be additional. [M.S.A. 7.557(17)]

Sec. 17. The specific tax imposed by this act shall be in addition to all other taxes for which the taxpayer may be liable.

Section repealed.

Section 2. Section 14 of Act No. 150 of the Public Acts of 1953, being section 205.564 of the Compiled Laws of 1948, is hereby repealed.

This act is ordered to take immediate effect.

Approved March 12, 1954.

[No. 18.]

AN ACT to provide for the financing, administration and operation of special education programs for handicapped children by school districts, including county school districts; to provide for the granting of financial assistance by county school districts to constituent school districts for special education housing or programs; to provide for county school districts and constituent districts to bind themselves together by contract for long-term co-operation in special education enterprise; and to provide for the allocation, levying, collection and handling of a county school tax for special education.

*The People of the State of Michigan enact:***393.401 Definitions. [M.S.A. 15.2161]**

Sec. 1. The following words and phrases as used in this chapter, unless a different meaning is plainly required by the content, shall have the following meanings:

(a) "County school district" shall mean that corporate body established by Act No. 117 of the Public Acts of 1935, as amended, being sections 388.171 to 388.187, inclusive, of the Compiled Laws of 1948.

(b) "Constituent school districts" shall be those school districts the main school house of which is situated within the geographic limits of the county to which the district is constituent.

(c) "Special education" shall mean education of a type designed especially for deaf, hard of hearing, blind, partially seeing, speech defective, home-bound, mentally handicapped, crippled or otherwise physically handicapped, or children having behavior problems, as all of such handicaps are defined by the superintendent of public instruction.

(d) "Special education center" shall mean a constituent school district which, by action of its board of education, contracts with the county board of education to provide special education to non-resident pupils.

(e) "Special education facility" shall mean any program of special education instruction, as defined in (c) above, which is approved by the superintendent of public instruction.

(f) "Special education buildings and/or equipment" shall mean any school housing and/or equipment acquired or prepared for, or used in, operating a special education facility approved by the superintendent of public instruction.

(g) "Special education supplies" shall mean any consumable school supplies employed in special education.

393.402 Referendum. [M.S.A. 15.2162]

Sec. 2. This act shall become effective whenever a majority of the school electors of a county school district, in a county of 390,000 population or over as determined according to the latest or each succeeding federal decennial census, present and voting, in any one year at the several annual school elections in the constituent school districts, shall vote to come under its provisions: Provided, That the effect of the provisions of this act may be amended or removed from a county school district by the same process.

393.403 Same; election; ballots, notice. [M.S.A. 15.2163]

Sec. 3. Whenever the county board of education shall direct that the question of coming under the provisions of this act shall be submitted to the school electors of a county school district, the secretary of the county board of education shall cause to have printed and distributed sufficient ballots so that the school electors of each constituent school district may vote on the question at its next annual school election, and shall give notice to constituent school districts at least 60 days in advance of said annual school election that the question of coming under the provisions of this act shall be submitted to the electors of the district: Provided, That the county board of education shall employ the form of ballot so prescribed herein for this type of election and that said board shall, by resolution, determine a millage limit on taxation to be submitted to the electors at the next annual meeting, and the secretary or director of the board of education of each constituent district shall cause proper notice to be given to the electors in the district of the question to be submitted, such notice to be given at the same time and in the same manner as that provided in the school code for notice of annual school elections for the district.

393.404 Same; conduct, canvass, report. [M.S.A. 15.2164]

Sec. 4. The board of education in the constituent school districts of a county as defined in section 1 (b) shall conduct the balloting on the question of coming under the provisions of this act, and said board shall canvass the vote as taken and report the results of such canvass to the secretary of the county board of education by registered mail within 10 days of such election.

393.405 Same; canvass, report. [M.S.A. 15.2165]

Sec. 5. Not more than 45 days after the holding of such election, the county board of education shall meet and canvass the election reports of the constituent districts. The findings of the county board shall be made a matter of record in its minutes and shall be distributed by the secretary to the boards of education of the constituent districts, and to the superintendent of public instruction.

393.406 Special education budget; delivery to county clerk. [M.S.A. 15.2166]

Sec. 6. Each county board of education of a county school district coming under the provisions of this act shall cause to have prepared annually a special education budget, which shall be in the same form as that provided for other school districts, such budget to be delivered to the county clerk of the county in which the district is located and the county clerks of other counties, if the county school district is fractional between counties. Each county clerk receiving such budget shall deliver it into the hands of the tax allocation board in the same manner as other school district budgets are handled.

393.407 Tax rates; allocation; limitation. [M.S.A. 15.2167]

Sec. 7. County tax allocation boards shall receive special education budgets from their respective county clerks; shall treat them as other school district budgets are treated and shall allocate tax rates to county school districts for the purposes set forth in this act, such allocations to be handled in the same manner as other allocations for school districts: Provided, That such allocations shall not be made within the 15 mill limitation and may not exceed the limit authorized by the election at which this act is placed in effect.

393.408 Certification by board of education. [M.S.A. 15.2168]

Sec. 8. When the county board of education shall have received an allocation on the basis of its special education budget, it shall certify for collection to the several municipal and township officials concerned, a statement of the amount of taxes to be levied, such certification to be made at the same time and in the same manner as that of other school districts: Provided, That the rate certified for levy shall not exceed the amount allocated.

393.409 Special education tax; collection. [M.S.A. 15.2169]

Sec. 9. On receipt of such statement from the county board of education, the municipal and township officials responsible for the levying and collection of taxes shall cause to have spread on the tax roll a special education tax equal to the amount ordered spread, and shall collect such taxes in the same manner as other taxes are collected.

393.410 Payment to county treasurer; accounts and records; fractional districts. [M.S.A. 15.2170]

Sec. 10. Taxes collected under the provisions of this act shall be paid over to the county treasurer in the same manner as other county taxes are paid over, and similar accounts and records shall be kept: Provided, That the county treasurer shall credit all funds received under this act to the account of the county board of education. County treasurers of counties in which fractions of the county school districts operating under this act are situated shall pay over those funds collected under the act to the county treasurer of the county in which said county school district is situated.

393.411 Ballots; form. [M.S.A. 15.2171]

Sec. 11. The ballot to be used in referring the question of the adoption of this act to the school electors of a county school district shall be set forth in the following form: "Shall the county school district of county, state of Michigan, come under the provisions of the special education act, which statute is designed to encourage the education of the handicapped children: Provided, That any annual property tax levied for the administration of this act shall be limited to mills?

Yes ☐
No ☐."

393.412 Special education programs; employ teachers. [M.S.A. 15.2172]

Sec. 12. County boards of education coming under the provisions of this act shall operate special education programs in those instances where such service is not available in special education centers. Such boards shall have the authority to employ teachers and other personnel, and to provide for their transportation, to purchase and maintain special education supplies and equipment, and to secure proper office space and supplies: Provided, That county boards are prohibited from appropriating funds to maintain or construct buildings to house special education classes unless such buildings are owned by constituent school districts and are under the administration of the school board of a special education center; and are prohibited from expending special education funds for purposes other than those set forth in this act.

393.413 Children, membership. [M.S.A. 15.2173]

Sec. 13. County boards of education maintaining special education programs may carry children in membership in the same manner as other school districts and shall be entitled to their proportionate share of any state funds available under the law in subsidy for such programs.

393.414 Subsidies; computation; reimbursement. [M.S.A. 15.2174]

Sec. 14. County boards of education operating under this act shall grant subsidies from special education funds to those constituent districts maintaining special education centers, such subsidies to be computed in the following manner: The per capita cost of each type of special education in each constituent facility shall be computed. From this amount shall be deducted the current per capita state subsidy, including membership as well as special education grants, for each respective type of special education. All or part of the difference resulting, multiplied by the number of pupils educated, shall be reimbursable by the county board of education: Provided, That if the funds are not sufficient to make up all this difference, a like percent of such difference will be paid to all constituent centers in the county.

393.415 Grants. [M.S.A. 15.2175]

Sec. 15. The county board of education may make grants of moneys to constituent districts operating special education centers for the purpose of building special education buildings and/or purchasing land or special education equipment: Provided, That prior to the granting of such funds the school board of the constituent district wherein the center is located shall have contracted to receive non-resident children into the facility for a period of at least 15 years after the date of contract.

393.416 Contracts with constituent districts. [M.S.A. 15.2176]

Sec. 16. The county board of education may enter into long-term contracts with constituent districts; such contracts to provide that the constituent districts are bound to accept non-resident pupils into specified special education facilities in return for and in consideration of grants in aid for the construction of special education buildings and the purchase of special education buildings and the purchase of special education equipment and/or land.

393.417 Special education center; non-resident pupils. [M.S.A. 15.2177]

Sec. 17. Any constituent district maintaining a special education facility approved by the superintendent of public instruction may enter into contracts with the county board of education and shall become a special education center by contracting with the county board of education to accept those non-resident pupils assigned into its facility by the county board of education.

393.418 Special education funds. [M.S.A. 15.2178]

Sec. 18. Special education funds held by the county treasurer for the county board of education shall be paid out by him on order of said county board of education.

393.419 Committee; appointment, duty. [M.S.A. 15.2179]

Sec. 19. The county board of education shall, each year, appoint a committee of at least 5 persons, to consist of at least 2 school superintendents and 3 school board members of

constituent districts, and it shall be the duty of this committee, along with the superintendent of public instruction, or his agent, to visit special education facilities in the county and advise the county board of education relative to the administration of this act.

393.420 Short title. [M.S.A. 15.2180]

Sec. 20. This act shall be known and may be cited as "The special education act."

This act is ordered to take immediate effect.

Approved March 19, 1954.

[No. 19.]

AN ACT to amend section 11 of chapter 6 of Act No. 175 of the Public Acts of 1927, entitled "An act to revise, consolidate and codify the laws relating to criminal procedure and to define the jurisdiction, powers, and duties of courts and of the judges and other officers thereof under the provisions of this act; to provide laws relative to the rights of persons accused of criminal offenses; to provide for the arrest of persons charged with or suspected of criminal offenses; to provide for bail of persons arrested for or accused of criminal offenses; to provide for the examination of such persons accused of criminal offenses; to regulate the procedure relative to grand juries, indictments, informations, and proceedings before trial; to provide for trials of persons complained of or indicted for criminal offenses and to provide for the procedure therein; to provide for judgments and sentences of persons convicted of criminal offenses; to provide for procedure relating to new trials, appeals, writs of error and bills of exception in criminal causes; to provide a uniform system of probation throughout the state of Michigan, the appointment of probation officers and to prescribe the powers, duties and compensation of such officers and to provide penalties for the violation of the duties of such officers; to provide for procedure governing proceedings to prevent crime; proceedings for the discovery of crime; to provide for the jurisdiction, powers, duties, and procedure of justices of the peace in criminal cases; to provide for fees of officers, witnesses and others in criminal cases; miscellaneous provisions as to criminal procedure in certain cases; to provide penalties for the violation of certain provisions of this act and to repeal all acts and parts of acts inconsistent with or contravening any of the provisions of this act," being section 766.11 of the Compiled Laws of 1948.

The People of the State of Michigan enact:

Section amended.

Section 1. Section 11 of chapter 6 of Act No. 175 of the Public Acts of 1927, being section 766.11 of the Compiled Laws of 1948, is hereby amended to read as follows:

CHAPTER 6.

766.11 Subpoena of witness; taking of evidence; procedure, stenographer's oath, compensation and fees. [M.S.A. 28.929]

Sec. 11. Witnesses may be compelled to appear before such magistrate by subpoenas issued by him, or by any officer or court authorized to issue subpoenas, in the same manner and with the like effect and subject to the same penalties for disobedience, or for refusing to be sworn or to testify, as in cases of trials before justices of the peace; and the evidence given by the witnesses examined shall be reduced to writing by such magistrate, or under his direction and shall be signed by the witnesses respectively: Provided, That unless otherwise provided by law, the evidence so given shall be taken down in shorthand by a county stenographer where one has been appointed under the provision of any local act of the legislature or by the board of supervisors of the county wherein such examination is held, or the magistrate for cause shown may appoint some other suitable stenographer at the request of the prosecuting attorney of said county with the consent of the respondent or his attorney to act as official stenographer pro tem. for the court of such magis-

APPENDIX B

INTERMEDIATE SCHOOL DISTRICT SPECIAL EDUCATION

MILLAGE RATES

Intermediate School District Special Education Millage Rates

Ranked From Highest To Lowest Levies - October, 1985

<u>Rank</u>	<u>District Name</u>	<u>Levy</u>	<u>Rank</u>	<u>District Name</u>	<u>Levy</u>
(1)	Jackson	4.0000	(32)	Ottawa	1.4000
(2)	Ingham	3.7500	(33)	Kent	1.3300
(3)	Lenawee	3.5000	(34)	Ionia	1.2883
(4)	Eaton	3.0000			
(5)	St. Joseph	2.7500	(35)	Barry	1.2500
(6)	Muskegon	2.5000	(36)	Mecosta-Osceola	1.2500
(7)	Branch	2.4500			
(8)	Van Buren	2.3800	(37)	Montcalm	1.2295
(9)	Shiawassee	2.3330	(38)	Allegan	1.2035
(10)	Washtenaw	2.2000			
			(39)	Cheboygan-Otsego-	
(11)	Calhoun	2.0000		Presque Isle	1.0000
(12)	Hillsdale	2.0000	(40)	Eastern U.P.	1.0000
(13)	Kalamazoo Valley	2.0000	(41)	Clare-Gladwin	1.0000
(14)	Macomb	2.0000	(42)	Dickinson-Iron	1.0000
(15)	Monroe	2.0000	(43)	Gogebic-Ontonagon	1.0000
(16)	Newaygo	2.0000	(44)	Traverse Bay	1.0000
(17)	Saginaw	2.0000	(45)	Copper Country	1.0000
			(46)	Huron	1.0000
(18)	Oakland	1.7500	(47)	Lapeer	1.0000
(19)	Tuscola	1.6000	(48)	Manistee	1.0000
(20)	Alpena-Montmor-		(49)	Marquette-Alger	1.0000
	ency-Alcona	1.5500	(50)	Wayne	1.0000
(21)	Charlevoix-Emmet	1.5400	(51)	Wexford-Missaukee	1.0000
(22)	Bay-Arenac	1.5000	(52)	Oceana	.9520
(23)	Berrien	1.5000	(53)	Menominee	.9456
(24)	Lewis Cass	1.5000	(54)	Sanilac	.9000
(25)	Clinton	1.5000			
(26)	Delta-Schoolcraft	1.5000	(55)	Iosco	.7500
(27)	Genesee	1.5000	(56)	COOR	.7500
(28)	Gratiot-Isabella	1.5000			
(29)	Livingston	1.5000	(57)	Midland	.0000
(30)	Mason-Lake	1.5000			
(31)	St. Clair	1.5000			

Source: Michigan Department of Education
Document (1-15-85) & Telephone Survey

TLK:10-20-85

APPENDIX C

**SUMMARY TABLE OF LEGAL PROVISIONS CONCERNING THE
ADOPTION AND THE DISTRIBUTION OF INTERMEDIATE
SCHOOL DISTRICT SPECIAL EDUCATION MILLAGE**

A CHRONOLOGICAL LISTING AND CONTENT SUMMARY OF MICHIGAN'S LEGAL
PROVISIONS AFFECTING THE ADOPTION OF A SPECIAL EDUCATION MILLAGE
LEVY AND THE DISTRIBUTION OF SUCH FUNDS TO
CONSTITUENT SCHOOL DISTRICTS

Year	Content Summary of the Legal Provisions
------	---

1954	<p><u>Michigan Public Act 18 of 1954</u></p> <ol style="list-style-type: none">1. An original Act, which was titled, "The Special Education Act" (Section 20), and consisted of Sections 1 through 20.2. Authorization was provided (Section 2) for voters of county school districts to tax themselves for the purpose of supporting the costs of educating handicapped children. The authorization to adopt a special education millage levy was limited to counties with a population of 390,000 or more.3. Only if a special education millage tax was approved (Section 2) did the provisions of the Act (Sections 1-19) take effect.4. To amend or remove a special education millage levy, once adopted, required another vote of the electors (Section 2). This requirement had the effect of making the special education millage levy, for all practical purposes, a permanent tax, as it does not expire and could only be changed by a specific vote of the electors of the county school district in question.5. A system of reimbursement to all constituent school districts was detailed (Section 14) based on a like-percent payment for the per capita additional costs of providing special education programs and services.
1955	<p><u>Public Act 269 of 1955</u></p> <ol style="list-style-type: none">1. The Act was titled, "The School Code of 1955." The purpose was to organize all the legislative laws pertaining to education under one piece of legislation and numbering scheme and to update the laws pertaining to public education. In this process, the provisions of Public Act 18 of 1954 were repealed, and re-added as Sections 309 to 327 of Public Act 269 of 1955.

Year	Content Summary of the Legal Provisions
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1955	<p data-bbox="280 380 808 410"><u>Public Act 269 of 1955--continued</u></p> <ol style="list-style-type: none"><li data-bbox="280 444 1304 827">2. The School Code of 1955 incorporated essentially the same language as Public Act 18 of 1954, except for the following two changes in Section 310.<ol style="list-style-type: none"><li data-bbox="345 572 1304 666">a. The population limits for counties to be eligible to adopt the special education provisions were lowered from 390,000 or over to 180,000 or over.<li data-bbox="345 700 1304 827">b. Language was added to allow for the joining of two or more counties of less than 15,000 people each, with the "combined district" eligible to adopt a special education millage levy and the accompanying provisions.
1955	<p data-bbox="280 861 1174 891"><u>Michigan Public Act 4 of the First Extra Session of 1955</u></p> <ol style="list-style-type: none"><li data-bbox="280 925 1304 1019">1. This Act amended Section 310 of Public Act 269 of 1955, to eliminate the population requirements for the adoption of a special education millage and the accompanying provisions.
1962	<p data-bbox="280 1053 781 1083"><u>Michigan Public Act 190 of 1962</u></p> <ol style="list-style-type: none"><li data-bbox="280 1117 1304 1244">1. This Act amended Public Act 269 of 1955 by adding 45 new Sections (Sections 291a-328a) to create "intermediate school districts" from the formerly titled "county school districts."<li data-bbox="280 1278 1304 1470">2. The section numbers of the special education provisions (Sections 309-327) were repealed and then added as Sections 307a through 324a. Language modifications occurred to accommodate the name change; however, there were no substantive changes in the provisions for the education of handicapped children.<li data-bbox="280 1504 1304 1564">3. The provisions for adoption of a special education millage levy were located in Section 307a.<li data-bbox="280 1598 1304 1687">4. The provisions governing the distribution of special education millage funds to constituent districts were located in section 309a.

Year	Content Summary of the Legal Provisions
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1963 Public Act 191 of 1963

1. This Act amended Public Act 269 of 1955, as amended, by adding a Section 316b, which allowed for the increasing of a special education millage levy by a majority vote of the electors of an intermediate school district. Previous legislation contained no provisions for the increasing of a special education levy, once adopted.

1971 Public Act 198 of 1971

1. Public Act 198 of 1971 is popularly referred to as "Michigan's Mandatory Special Education Act."
2. This Act repealed the section concerning the distribution of special education millage funds to constituent school districts (Section 319a of Public Act 269 of 1955, as amended) and added a new section (317a), which required that the State Board of Education develop rules governing the distribution of special education millage funds.

1976 Public Act 451 of 1976

1. This legislation and other Acts of the same type are often referred to as "re-codification acts." The purpose is to merge all related Acts and arrange them systematically under one legislation and numbering scheme. However, it is important to note that the goal of a re-codification act is not to change the intention of any legislation, but to put the law together in one place.
2. The provisions for the adoption of a special levy and the requirement that the State Board of Education develop rules governing the distribution of special education millage funds were incorporated within the provisions of Public Act 451 of 1976 in Section 1722 (1) and Section 1729 (1), respectively.
3. Language concerning the removal or reduction of intermediate school district special education millage (Section 2 of Public Act 18, as amended) was not included.

Year	Content Summary of the Legal Provisions
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1980	<u>Revision of the Michigan Special Education Rules</u>
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1. Added two rules (Rule 340.1811 and Rule 340.1812) to the Michigan Special Education Rules to govern the use and distribution of intermediate school district special education millage funds to constituent school districts.

APPENDIX D

MICHIGAN DEPARTMENT OF EDUCATION CATEGORIES AND DEFINITIONS OF ALLOWABLE SPECIAL EDUCATION COSTS

DS-4096-A (Actual Cost)
4/84

Michigan Department of Education
DEPARTMENT SERVICES
Box 30106, Lansing, Michigan 48909

Direct questions regarding this form to
the State Aid Unit at (517) 373-3350.

AUTHORITY: Act 94, PA 1979 as amended.
COMPLETION: Required (Failure to file
will result in withholding of funds.)

**1983-84 LOCAL AND INTERMEDIATE DISTRICT
SPECIAL EDUCATION ACTUAL COST REPORT
AND SUPPLEMENTAL PROGRAM SCHEDULES**

EDUCATIONAL AGENCY	Legal Name of School District	District Code No.	Telephone -- Area Code/Local No.
	Address	City	Zip Code

MAILING INSTRUCTIONS:

DISTRICT - Return WHITE, YELLOW and PINK copies by SEPTEMBER 30, 1984 to Intermediate district.
Retain BLUE copy.

INTERMEDIATE DISTRICT - Return WHITE and YELLOW copies by OCTOBER 29, 1984 to the STATE address indicated above.
Retain PINK copy for your record.

IMPORTANT - File this form by the above due date. If later audited figures change the data reported for a program,
file an amended report immediately.

INSTRUCTIONS:

1. Every school district operating a special education program must file a certification page and a page 2, "Summary of Special Education Expenditures." Total allowable expenditures for special education reported on page 2 must agree with the official accounting records of the school district.
2. Every school district operating a section 52 program must file BOTH a DS-4096-A page 3 and a DS-4096-A page 4. The page 3 must be marked as section 52 and the total must agree with the page 4 total. Page 3 will be used by Department Services for distribution of section 52 funds; page 4 will be used by Special Education Services for monitoring, program and fiscal review.
3. Every school district that operates a section 53 program must file BOTH a DS-4096-A page 3 and a DS-4096-A page 5. The page 3 must be marked as section 53 and the total must agree with the page 5 total. Page 3 will be used by Department Services for Distribution of section 53 funds; page 5 will be used by Special Education Services for monitoring, program and fiscal review.
4. School districts operating both section 52 and section 53 programs must file separate DS-4096-A page 3 forms for each program.
5. School districts where Mental Health-operated State Institutions or Mental Health-contracted nursing homes are located must file a separate page 3 and page 5 for each Mental Health-operated State Institution or Mental Health-contracted nursing home for the mentally retarded (impaired). Do NOT complete a page 3 and page 5 for personnel employed and costs incurred by Mental Health-operated State Institutions for the mentally ill (emotionally impaired).
6. ONLY the Intermediate School District will report Title VI-B, P.L. 94-142 Flow Through costs to the State using forms DS-4044 and DS-4096-A page 6. (Please read the instructions for definition of flow through projects.) Local districts are to report expenditures equal to the federal dollars and the membership funds for these projects to the Intermediate School District on page 6. The total of page 6 must equal the amount on page 2, line 3. Local districts file page 6 with their Intermediate School District. The Intermediate School District must submit a composite page 6 to Department Services.
7. Please review the detailed instructions for the forms and the 1983-84 Special Education Allowable Expenditures guidelines before completing the forms.

CERTIFICATION: I certify that the information submitted on this report is true and correct to the best of my knowledge. This report was prepared in cooperation with the Business staff and the costs reported are proper charges to special education. All records and schedules (including time reports supporting proration of personnel) used in the preparation of this report will be kept for three years for audit purposes.

Date _____ Superintendent or _____ (Signature)
Authorized Official
Contact Person _____ Telephone _____
(Area Code/Local Number)

District Name _____

District Code

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DS-4096-A (Actual Cost)
(Page 2)**SUMMARY OF SPECIAL EDUCATION EXPENDITURES**

1. Allowable expenditures for section 52 (attach BOTH a page 3 and a supplemental schedule (page 4) for section 52) \$ _____

2. Allowable expenditures for section 53 (attach BOTH a page 3 and a supplemental schedule (page 5) for section 53) \$ _____

NOTE: If you operate programs for Mental Health-operated State Institutions or Mental Health-contracted nursing homes, submit a separate page 3 and supplemental schedule (page 5) for each institution or nursing home.

3. Allowable expenditures for Title VI-B, P.L. 94-142 Flow Through projects (These expenditures are to be reported by the local education agencies to the intermediate school district. ONLY the intermediate school district will file a DS-4044 and supplemental schedule for these expenditures. Expenditures reported are to equal BOTH federal funds and membership funds.) Both local districts and intermediate districts are to show their expenditures of these funds on this line.

3a. \$ _____ (Federal)

3b. \$ _____ (Membership)

3c. \$ _____ (Total)

4. Allowable expenditures for other federally funded special education programs \$ _____

5. Total allowable expenditures for special education (Total of lines 1, 2, 3c., and 4.) \$ _____

Explanation of Expenditures on Line 4 Above

<u>SOURCE</u>	<u>AMOUNT</u>
_____	\$ _____
_____	_____
_____	_____
_____	_____
_____	_____

1983-84 SPECIAL EDUCATION ACTUAL COST REPORT (July 1 through June 30)

DS-4096-A (Actual Cost)
(Page 3)

(Complete a separate report for each program.)

☐ Section 52 ☐ Section 53

EDUCAT AGENCY	Legal Name of District	Address	District No.	OBJECT			
				Salaries	Purchased Services	Other Expenses	TOTAL
				1000	3000 - 4000	2000 and 5000 - 8000	
				(1)	(2)	(3)	(4)
1	100	Instruction					
2							
3	122	Special Education					
4							
5	1XX	Employee Benefits					
6	210	Pupil Support Services					
7	212	Guidance Services					
8	213	Health Services					
9	214	Psychological Services					
10	215	Speech and Audiology Services					
11	216	Social Work Services					
12	217	Visual Aid Services					
13	218	Teacher Consultants					
14	219	Other Pupil Support Services					
15	220	Instructional Staff Support					
16	221	Improvement of Instruction					
17	222	Library					
18	223	Audiovisual					
19	225	Computer Based Instruction					
20	226	Supervision & Direction					
21	227	Other Educational Media Services					
22	229	Other Instructional					
23	230	General Administration					
24	232	Executive Administration					
25	239	Other General Administration					
26	240	School Administration					
27	250	Business Services					
28	259	Other Business Services					
29	257	Internal Services					
30	260	Central Support Services					
31	262	Planning and Research					
32	266	Data Processing Services					
33	269	Other Central Support					
34	2XX	Employee Benefits					
35	300	Community Services					
36	330	Civic Activity					
37	3XX	Employee Benefits					
38	400	Outgoing Transfer and Transactions					
39	430	School Service Fund					
40	SUBTOTAL (Sum of lines 1 thru 39)						
41	Indirect Costs ()						**
42	254	Direct Operation and Maintenance					**
43		Rent/Lease - Spec. Education Facilities					
44		Capital Outlay					
45	231	Board of Education					
46	255	Pupil Transportation (Sec. 53 only)					
47		Tuition - School for the Blind					
48		Tuition - School for the Deaf					
49	SUBTOTAL - (Sum of lines 41 thru 48)						
50	GRAND TOTAL (Total of lines 40 and 49)						*

**Totals cannot exceed 15% of line 40, column 4.

*Total must equal total of supplemental schedule attached.

District Name _____

District Code

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 DE 6-A (Actual Cost)
 (P. 4)

1983-84 SPECIAL EDUCATION ACTUAL COST SUPPLEMENTAL SCHEDULE

(July 1 through June 30)

(SECTION 52)

* See instructions for limitations.

SECTION 52

L I N E S	Description	Personnel in S.Y.F.T.E.			Program Cost	Indirect Cost Rate %	• Direct Operation and Maintenance	Rent/Lease	Capital Outlay and Board of Education	Total Cost
		Profes- sional	Reimb. Aides	Secretary Clerk						
	CLASSROOM PROGRAMS	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Educable Mentally Impaired									
2	Trainable Mentally Impaired									
3	Severely Mentally Impaired									
4	Emotionally Impaired									
5	Learning Disabled									
6	Hearing Impaired									
7	Visually Impaired									
8	Phys. and O. H. Impaired									
9	Severely Multiply Impaired									
10	Preprimary									
11	Severely Language Impaired									
	SUPPORT SERVICES									
12	T.C. Mentally Impaired									
13	T.C. Emotionally Impaired									
14	T.C. Learning Disabled									
15	T.C. Hearing Impaired									
16	T.C. Visually Impaired									
17	T.C. Phys. and O.H. Impaired									
18	Preprimary Home Program									
19	Homebound and Hospitalized									
20	Speech and Language Impaired									
21	P.E. Special Education									
	OTHER RELATED SERVICES									
22	School Social Worker									
23	School Psychologist									
24	Director (full-time)									
25	Supervisor (full-time)									
26	Curriculum Resources									
27	Occupational Therapist									
28	Physical Therapist									
29	Other Professional Personnel									
30	Prod. of Vis. Hdcpd. Materials									
31	Pupil Transportation									
32	Tuition - School for the Blind									
33	Tuition - School for the Deaf									
34	TOTAL*									

 *Total of this supplemental schedule must
 equal page 3 submitted for Section 52.

District Name _____

District Code

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DS (P₁) A (Actual Cost)**1983-84 SPECIAL EDUCATION ACTUAL COST SUPPLEMENTAL SCHEDULE**

(July 1 through June 30)

(SECTION 53)

• See instructions for limitations

SECTION 53

PAGE 5

L I N E S	Description	Personnel in S.Y.F.T.E.			Program Cost	Indirect Cost		• Direct Operation and Maintenance	Rent/Lease	Capital Outlay and Board of Education	Total Cost
		Profes- sional	Reimb. Aides	Secretary Clerk		Rate	%				
	CLASSROOM PROGRAMS	(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)
1	Educable Mentally Impaired										
2	Trainable Mentally Impaired										
3	Severely Mentally Impaired										
4	Emotionally Impaired										
5	Learning Disabled										
6	Hearing Impaired										
7	Visually Impaired										
8	Phys. and O. H. Impaired										
9	Severely Multiply Impaired										
10	Preprimary										
11	Severely Language Impaired										
	SUPPORT SERVICES										
12	T.C. Mental - Impaired										
13	T.C. Emotionally Impaired										
14	T.C. Learning Disabled										
15	T.C. Hearing Impaired										
16	T.C. Visually Impaired										
17	T.C. Phys. and O.H. Impaired										
18	Preprimary Home Program										
19	Homebound and Hospitalized										
20	Speech and Language Impaired										
21	P.E. Special Education										
	OTHER RELATED SERVICES										
22	School Social Worker										
23	School Psychologist										
24	Director (full-time)										
25	Supervisor (full-time)										
26	Curriculum Resources										
27	Occupational Therapist										
28	Physical Therapist										
29	Other Professional Personnel										
30	Prod. of Vis. Hdcpd. Materials										
31	Pupil Transportation										
32	Tuition - School for the Blind										
33	Tuition - School for the Deaf										
34	TOTAL**										

*Show only Total Cost amount.
Detail to be shown on DS-4094.

**Total of this supplemental schedule must
equal page 3 submitted for Section 53.

District Name _____

District Code

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D 76-A (Actual Cost)
(Page 6)**1983-84 SPECIAL EDUCATION ACTUAL COST SUPPLEMENTAL SCHEDULE**

(July 1 through June 30)

TITLE VI-B

P.L. 94-142 FLOW THROUGH -- To be filed with the STATE ONLY by the I.S.D. (Local Districts are to report to the I.S.D.)

(Do NOT include State Initiated or Preschool Incentive Costs.)

• See instructions for limitations.

L I N E S	Description	Personnel in S.Y.F.T.E.			Program Cost	Indirect Cost		• Direct Operation and Maintenance	Rent/Lease	Capital Outlay and Board of Education	Total Cost
		Profes- sional	Reimb. Aides	Secretary Clerk		Rate	%				
	CLASSROOM PROGRAMS	(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)
1	Educable Mentally Impaired										
2	Trainable Mentally Impaired										
3	Severely Mentally Impaired										
4	Emotionally Impaired										
5	Learning Disabled										
6	Hearing Impaired										
7	Visually Impaired										
8	Phys. and O. H. Impaired										
9	Severely Multiply Impaired										
10	Preprimary (S.B. Endorsement)										
11	Severely Language Impaired										
	SUPPORT SERVICES										
12	T.C. Mentally Impaired										
13	T.C. Emotionally Impaired										
14	T.C. Learning Disabled										
15	T.C. Hearing Impaired										
16	T.C. Visually Impaired										
17	T.C. Phys. and O.H. Impaired										
18	Preprimary Home Program										
19	Homebound and Hospitalized										
20	Speech and Language Impaired										
21	P.E. Special Education										
	OTHER RELATED SERVICES										
22	School Social Worker										
23	School Psychologist										
24	Director (full-time)										
25	Supervisor (full-time)										
26	Curriculum Resources										
27	Occupational Therapist										
28	Physical Therapist										
29	Other Professional Personnel										
30	Prod. of Vis. Hdcpd. Materials										
31	Pupil Transportation										
32	Tuition -- School for the Blind										
33	Tuition -- School for the Deaf										
34	TOTAL										

(page 1)

1983-84
INSTRUCTIONS FOR FORM DS-4096
SPECIAL EDUCATION COST REPORT
AND
SUPPLEMENTAL PROGRAM SCHEDULES

GENERAL INSTRUCTIONS

1. The DS-4096 shall report costs for the school year July 1 to June 30.
2. Separate actual cost reports, (form DS-4096, page 3) and a supplemental program schedule (form DS-4096, pages 4 and 5) must be completed for Section 52 and Section 53.
3. Check the appropriate box on each page 3.
4. The term P.L. 94-142 funds as used in this document refers to all P.L. 94-142 funded projects authorized in the State School Aid Act. These include regular P.L. 94-142 funds for flow through projects, Special Education Learning Media Centers projects, coordinators of planning, monitoring and data collection projects, and P.L. 94-142 added cost projects. Cost reports for P.L. 94-142 funded projects are to be reported to the state by the intermediate district only. Carryover funds are to be reported in the year in which they are expended. These funds include flow through carryover, added cost carryover, and Special Education Learning Media Center carryover when authorized.

A DS-4044, as well as a DS-4096, Supplemental Program Schedule (for DS-4096, page 6), must be completed for each of the above projects. Local districts that are expending P.L. 94-142 funds are to report their expenditures to the intermediate district.

Please note that all preschool incentive project costs, as well as costs for state initiated programs not listed above, are reported only on the DS-4044.

5. Record all amounts of money to the nearest dollar.
6. The general classification of objects of expenditures are those which are found in Bulletin 1022, the accounting manual for school districts. The specific items which have been approved for special education reimbursement are shown in the detailed instructions entitled "Special Education Allowable Expenditures -1983-84" starting on page 16 of these directions.
7. The objects of expenditure should be assigned to the program for which the service or supply was acquired on a direct charge basis wherever possible, or by a method of allocation which will provide a reasonable distribution of costs. The allocations once determined should be posted to the program accounts and adjusted from the account in which the original charge was made. Documentation of allocations and prorations must be maintained for audit purposes.

GENERAL INSTRUCTIONS
SPECIFIC ITEMS

1. Early retirement incentive payments include (a) lump sum payments, (b) retirement incentive payments spread over the following year, and (c) the purchase of annuities as a retirement. These incentives do not qualify for state categorical or P.L. 94-142 reimbursement. The early retirement incentive payment plan is developed for the convenience of the school district and is not directly related to providing services to handicapped students.
2. Stipends for personnel who retire early or prepaid insurance for personnel who retire early do not qualify for categorical reimbursement or for reimbursement under P.L. 94-142. These payments are made as an incentive for personnel to retire early and are not part of the ordinary fringe benefits and operational costs of the district.
3. Payment of unused sick leave is reimbursable to the extent that the sick leave was accrued during service to the categorical program. For example, if an employee worked five years in a general education program and five years in a special education program, the split in the reimbursement for unused sick leave should be 50% to each.

4. Expenditures for Repair and Maintenance

Costs for replacement of items such as carpets, windows and lavatories as repair and replacement costs are reimbursable under operation and maintenance. If districts qualify to claim direct operation and maintenance for a building, these costs may be included in the direct operation and maintenance reimbursement. Direct operation and maintenance costs plus indirect costs can not exceed 15% of direct costs.

5. Lease Purchase

Lease purchase of facilities is not reimbursable under the State School Aid Act.

6. Payback of Over-Reimbursed Expenses as a Result of Audit or Monitoring

Districts cited as a result of an audit or monitoring exception will be required to pay back any state overpayment. The districts have specific directions from the Department in regard to what is reimbursable and what is not reimbursable. Only items listed on the attached Special Education Allowable Expenditures for Section 52, Section 53, and P.L. 94-142 Flow Through Costs will be approved for reimbursement unless the district provides evidence of prior written approval from the Department of Education. If districts wish to appeal any item they have the right to do so. Special Education Service program staff will cooperate with Department Services in reviewing any appealed items.

(page 3)

Detailed Instructions For Form DS-4096, Page 2

Line 1 - enter here the total amount of allowable expenditures for section 52 programs. This total must agree with the amount on line 50, column 4, of the page 3 submitted marked "section 52" and with the amount on line 34, column 9, of page 4.

Line 2 - enter here the total amount of allowable expenditures for section 53 programs. This total must agree with the amount on line 50, column 4, of the page 3 submitted marked "section 53" and with the amount on line 34, column 9, of page 5.

Special Instructions For School Districts In Which Mental Health-Operated State Institutions or Mental Health-Contracted Nursing Homes Are Located:

- (a) Complete a separate Form DS-4096 - page 3 and supplemental program schedule for all personnel employed and costs incurred by the school district other than those in institutions.
- (b) Complete a separate Form DS-4096 - page 3 and supplemental program schedule for each mental health-operated state institution or mental health-contracted nursing home for the mentally retarded (impaired). Districts operating these programs should use the special education allowable expenditures for section 53 institution and nursing homes which has been sent under separate cover as the guide for identifying reimbursable costs.
- (c) Whenever more than one page 3 is submitted for section 52 or section 53, combine the amounts and show only one total for section 52 and one total for section 53 on page 2.

Line 3 - both local districts and I.S.D.'s must enter the total amount of allowable expenditures for P.L. 94-142 funded projects excluding preschool incentive projects. These expenditures must equal the total of the federal funds and the membership funds used in these projects. On the 4th Friday reporting forms (DS-4061, page 4, column 5, line 25) each district identified pupils in P.L. 94-142 funded projects. The number of pupils shown on the 4th Friday for these projects multiplied by the gross membership allowance for the district equals the membership funds that must be used by the district on these projects. These expenditures are to be reported to the I.S.D. The I.S.D. will submit one form DS-4044 and supplemental program schedule for all expenditures by the I.S.D. and its constituent districts. The I.S.D. will maintain schedules and detailed records that show the expenditures by district and program. All districts are to show the amount of expenditures reimbursed with federal funds on line 3a, page 2, and the amount of expenditures reimbursed with membership funds on line 3b, page 2. Add these two lines together and place the total on line 3c.

Line 4 - enter here the total amount of allowable expenditures for other federally funded special education programs. Form DS-4044 is to be submitted for these funds on a project basis. Please refer to form DS-4044 and the instructions for that form. This includes ECIA Chapter I and Chapter II projects, P.L. 94-142 State Initiated projects other than Special Education Learning Media Centers and planning coordinator, P.L. 94-142 Preschool Incentive projects and P.L. 94-142 Preschool Incentive Carryover projects. If you have any expenditures for any projects directly funded by any federal or other source, include them in the total on this line.

Line 5 - enter here the total allowable expenditures for special education. This is the total of lines 1, 2, 3c and 4 and must be reconcilable to your accounting records.

(page 4)

Explanation of Expenditures on Line 4

Please list the source and amount of funds shown on line 4. Sources may be ECIA Chapter I and II, P.L. 94-142 State Initiated and Preschool Incentive projects, P.L. 94-142 Preschool Incentive Carryover projects, or other directly funded federal projects.

Note 1 - if your accounting records show more expenditures for a P.L. 94-142 funded project than the funding you will receive in both federal funds and membership funds, reallocate the expenditures in excess of the funding to section 52 by category.

Note 2 - if your accounting records show less expenditures for a P.L. 94-142 funded project than the funding you will receive in both federal funds and membership funds, examine your section 52 expenditures carefully to determine if any of these section 52 expenditures can be reallocated to this project. If not, you will have excess federal funds that will either be carried over to the following year or have to be returned.

(page 5)

Detailed Instructions for Form DS-4096, Page 3

1. Check the correct box to indicate whether the report is for a Section 52 or a Section 53 program.
2. Enter the name and address of the district.
3. Enter the five digit local district code for your district.
4. Enter the cost information on the appropriate function lines and object code columns (lines 1-42):

Column 1	Salaries (1XXX)
Column 2	Purchased Services (3XXX-4XXX)
Column 3	Employee Benefits, Supplies, Materials and Capital Outlay and Other Expenses (2XXX, 5XXX, 6XXX, 7XXX, and 8XXX)

Important: Tuition payments between school districts are not allowable costs. They are reimbursement for allowable costs that the receiving district is reporting. DO NOT include on these cost reports tuition paid. (Exception - ISD's can report tuition paid for pupils at the School for the Blind and the School for the Deaf)
5. Enter the line totals of Column 1-3 in the Total Column (Column 4).
6. Enter subtotals for all columns on line 40.
7. Enter the approved indirect cost rate in the description area. Compute the indirect cost rate amount by multiplying the approved rate(s) times the direct costs reported on line 40 Column 4. Enter the amount computed on line 41, Columns 3 and 4.
8. Enter the amount of Direct Operation and Maintenance costs eligible to be charged on line 42, Columns 3 and 4. Combined total of the indirect cost on line 41 and direct operation and maintenance costs on line 42 cannot exceed 15% of line 40, column 4.
9. Enter the amount of rent/lease costs on line 43, Columns 3 and 4.
10. Enter the amount of approved capital outlay costs on line 44, Columns 3 and 4. Refer to the directions on page 7 for details regarding approvable capital outlay items.
11. Enter Board of Education allowable costs on line 45 (audit expenses for federal projects and costs related to holding special education hearings other than school attorney fees).
12. Enter the amount of approved transportation costs for section 53 pupils on line 46. This will be the total as shown on DS-4094, (1983-84 Transportation Financial Report) Column 4, line 22 plus allowable fringe benefits.
13. Enter total tuition less the gross membership for students attending the School for the Blind on line 47 and line 48 for students attending the School for the Deaf.
14. Enter the total of Column 1 - 4, line 41-48 on line 49.
15. Enter the Grand Total for each Column, line 40 and line 49 on line 50.

DETAILED INSTRUCTIONS
FOR
Form DS-4096

Pages 4, 5, and 6 (Supplemental Schedules)

- Column 1 - Enter the number of full-time equated professional personnel hired by the district. The full-time equated positions should be reported to the nearest hundredth (0.00).
- Column 2 - Enter the number of full-time aides that qualify for reimbursement and whose salary is included as a program cost in Column 4.
- Column 3 - Enter the number of full-time equated secretaries and clerks hired by the district. The secretaries and clerks must be employed only in special education. The full-time equated positions should be reported to the nearest hundredth (0.00).
- Column 4 - Enter the amount of program costs for all eligible costs except operation and maintenance rent/lease, capital outlay, and Board of Education which are handled in the "Other Cost" section of the form. Please remember that "only salaries and other compensation paid teacher aides required in rules are reimbursable unless otherwise approved in writing by the Department.
- Column 5 - Enter the computed indirect cost for each program. Enter the rate of your district in the heading to column 5. On those programs where you do not use direct operation and maintenance, multiply the approved indirect rate by the direct program costs in Column 4 and enter these amounts in Column 5. Refer to the Special Instructions on page 10 to determine how to calculate this cost for P.L. 94-142 projects. This indirect rate column will reflect the federal restricted indirect rate of the ISD and LEA which operate the P.L. 94-142 projects.
- Column 6 - (254) Direct Operation and Maintenance of Plant - Direct operation and maintenance is limited to programs that are in separate facilities used solely for special education students. To be considered for reimbursement, a schedule detailing the costs upon which the direct operation and maintenance is being calculated must be included with the DS-4096. This consists of those activities concerned with keeping the physical plant open, comfortable and safe for use, and keeping the grounds, buildings and equipment in an effective working condition and state of repair. This includes activities of maintaining safety in buildings, on the grounds, and in the vicinity of schools. All utility expenditures such as electricity, heating, (metered or bulk supply), water and sewage waste and trash disposal and telephone charges are also included under this function. Building security is included under this function. Criteria for reporting direct O & M is available from the Special Education Service Area.

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P.L. 94-142 -- Direct operation and maintenance may be claimed for all federally-funded programs/services as approved in the applications. The federal indirect rate (restricted) may be applied to this line.

Column 7 - (4200) Rent/Lease -- Cost of renting space used 100% for special education programs and services is reimbursable. Districts may not rent from themselves, nor can they include lease/purchase of a building as rent costs. Districts that have entered into rental agreements that include operation and maintenance must subtract O & M costs from the amount charged against state aid unless the district chooses not to charge an indirect cost rate on programs that are provided in the rented facility. The federal indirect rate (restricted) may be applied to this line for P.L. 94-142 approved projects.

Column 8 - Capital Outlay -- This is defined as equipment and furniture costing \$300 or more. It is limited to items used solely for instruction of special education students. Equipment may be purchased (a) for use of individual students provided it is for instruction, or (b) access to education (wheelchairs, hearing devices, etc.) provided it can be converted later for use of other handicapped students and the equipment remains at school. The federal indirect rate (restricted) cannot be applied to this line.

Items such as desks and movie projectors which are considered standard items for regular education classrooms are not reimbursable.

An itemized list of equipment purchased with Section 52 or 53 funds must accompany the DS-4096. The list must identify the item, the purpose or use if not obvious, and the cost.

Districts that have received prior approval for capital outlay items need only attach a copy of the approval letter.

Column 9 - The sum of Columns 4 - 8.

Special Instructions for DS-4096, Page 5, Section 53 Programs

1. Programs for the following students qualify for 100% reimbursement under Section 53 of the State School Aid Act for the 1983-84 school year:
 - a. Residents of institutions operated by the Department of Mental Health;
 - b. Residents of nursing homes whose educational programs are approved by the Department of Education - Section 53 Nursing Homes;
 - c. Residents of homes for the developmentally disabled which are leased or operated under contract with the Department of Mental Health (residents of homes under contract with the Department of Social Services do not qualify under this provision);
 - d. Pupils placed in a district by the parent for the purpose of seeking a suitable home where the parent does not reside in the same intermediate district as the pupil; and
 - e. Pupils placed under the community placement program of a court or state agency if the pupils were residents of another intermediate district at the time they came under jurisdiction of the court or state agency.
2. The number of students enrolled on the Fourth Friday count will be the basis for calculating Section 53 costs.
3. As indicated in Section 53(1) of the State School Aid Act, "only those costs that are clearly and directly attributable to educational programs for pupils described in this section (Section 53), and that would not in fact have been incurred if the pupils were not being educated in the district or intermediate district, shall be reimbursed under this section." Administrative costs related to operating the program including costs related to directors of special education, special education supervisors, special education building principals, secretarial support for special education personnel, transportation supervisors and clerical staff, cost of operating the bus garage and other administrative costs normally incurred by the district are not chargeable to Section 53. Program costs that can be reimbursed by federal funds are not to be charged to Section 53.
4. Reimbursement for classroom programs and supportive services will be calculated based on the proportionate number of Section 53 students enrolled in the program or service.

For example, a district operating a trainable program has one Section 53 student out of a total of 10 enrolled in the program. In this case, 90% of the cost will be attributed to Section 52 and 10% to Section 53. The program cost is \$40,000. Ninety percent or \$36,000 is reported as a Section 52 program cost for trainable mentally impaired on column 4 of page 3, and the remaining \$4,000 is reported as a Section 53 trainable program cost in column 4 of page 4.

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The district's one Section 53 trainable student also receives speech. On the Fourth Friday count date, the district provided speech and language services to 100 students. Therefore, the district may bill 1% of the speech program cost to Section 53 and the other 99% to Section 52.

5. Costs unique to services for Section 53 students may be added to the proportion of program costs billed to Section 53 provided there is a detailed explanation of the costs. This includes the cost of a hearing for a Section 53 student or for capital outlay equipment that is used totally by the Section 53 student and is not available to other students in the district. Rent/lease costs or capital outlay costs for items which are used by the total program cannot be prorated to Section 53 since these costs are not unique to programming for court or state agency placed students.
6. Transportation for Section 53 students is eligible for reimbursement under Section 53. Districts which are charging transportation cost against Section 53 must include the cost on the DS-4094.

The district may not include in the reimbursement a proration of the salaries for supervisors, clerical staff, garage operations or purchased services (rental of school buses) unless the district clearly shows they incurred additional administration costs directly related to transportation of Section 53 students. Districts claiming costs in any of these categories must attach to the DS-4096 respective rationale supporting the costs as clearly and directly attributable to the transportation of Section 53 students.

Districts may prorate transportation costs for Section 53 students in any of the following ways:

- a. Direct Cost Method - Districts contracting for transportation with other districts or private carriers can charge the actual contracted expense for each Section 53 student where costs are billed on a student-by-student basis.
- b. Percent of Ridership - The district will take their total number of Section 53 students bused and divide this number by the total number of students bused in district vehicles. This will determine the percentage of busing costs attributable to Section 53 students. The obtained percentage is applied to every amount in Column 3 of the DS-4094 on lines 5 through line 12, except for line 7. The multiplied result obtained for each line amount, 5 through 12, except 7, must be recorded on its applicable line in Column 4. The only amount allowed on line 7 in Column 4 is the actual cost of public transportation purchased services for Section 53 students. This amount must not exceed the amount in Column 3.

Employee benefits cannot be shown on the DS-4094. Please add the amount of employee benefits applicable to Section 53 transportation to the costs shown for Section 53 on the DS-4094 and enter the total on the DS-4096.

Special Instructions For DS-4096,
Page 6, for P.L. 94-142 Funded Projects

1. The Intermediate School District is to obtain from each local involved in this program detailed actual cost schedules and maintain these schedules for possible future audit.
 2. The Intermediate School District is to file a DS-4044 with Department Services on a project basis.
 3. The Intermediate School District is to file a DS-4096 page 6 with Department Services showing all state membership funded expenditures and federally funded expenditures for the I.S.D. and its constituent districts by program. (E.M.I., L.D., etc.)
 4. All P.L. 94-142 funded projects, when applicable, ~~must~~ include state membership funds. The amount of these funds ~~must~~ be determined by using the membership in the program on the count day as ~~shown~~ on page 4 of form DS-4061 and multiplying the reported F.T.E. times the gross membership allowance for the district operating the program.
 5. The Federal restricted indirect cost rate to be used ~~must~~ be the rate for the district actually making the expenditure. The ~~rate~~ must be applied to allowable direct charges only. Allowable direct charges for the state indirect rate are only listed in column 4. The state membership funds are to equal the allowable direct charges and the amount of indirect costs obtained by the state indirect rate being applied to those allowable direct costs. The balance of allowable direct charges, all columns except 5 and 8, for each district may be multiplied by the federal indirect rate to the extent of the federal funds. Direct operation and maintenance, Rent/Lease, Capital Outlay, and Board of Education costs are not allowable direct charges for application of the state indirect rate. Whenever direct operation and maintenance is charged to a program, the state indirect rate can not be used for that program. The state indirect rate is to reimburse a district for those charges that ~~my~~ be direct operation and maintenance when a separate facility is used. ~~The~~ federal restricted indirect rate may be applied to all program costs except capital outlay and food for food service costs. The same costs can not be included in the base for both rates.
- Membership (state funds) are always assumed to be spent first. If costs exceed membership funds then you are spending federal funds. If costs exceed both membership (state) funds and federal funds on a P.L. 94-142 funded project, then the excess direct costs are to be shown on the districts section 52 report under the proper program.
6. If membership (state) funds and federal funds available for the project exceed both direct and indirect costs, then there is a balance of federal funds available for a carry over project or to be lapsed.
 7. A worksheet and instructions for the worksheet follows. Please use the worksheet if you have a P.L. 94-142 project with memberships.

Worksheet for a P.L. 94-142 Project
with State/Federal Funding

Example District

Your District

Facts:

A	Memberships (DS-4061	9.3 F.T.E.				(A)
B	Membership Allowance/Pupil (R2749)	\$ 2,013.63				(B)
C	Total State Funding 9.3 x 2013.63 =	\$18,726.76				(AxB)
D	Total Direct Costs - State/Federal	\$89,564.34				(D)
E	Federal Grant	\$75,000.00				(E)
<u>Indirect Rates</u>						
F	State Special Education (R0416)	13.5%				% (F)
G	Federal Restricted (R0418)	2.35%				% (G)

State Funding:

H	Direct	(a) 100.0%	(b) \$16,499.35	(a) 100.00	X	(b) \$ (L)
J	Indirect	(a) 13.5%	(b) 2,227.41	(a)	X	(b) (K-H)
K	Total State Cost	(a) 113.5%	(b) \$18,726.76	(a)	X	(b) \$ (C)
	(C)	(Ka)	[C-(Ka)]			
L	\$18,726 - 113.5 = 164.9935 x 100 = \$16,499.35 [H(b)]					

Federal Funding:

M	Total State/Federal Direct Costs	\$89,564.34	(D)	\$	(D)
N	Less: State Direct	16,499.35	(Hb)		(Hb)
P	Federal Direct	\$73,064.99		\$	(M-N)
R	Federal Indirect Cost (\$73,064.99 x 2.35%)	1,717.03			(GxP)
S	Total Federal Cost	\$74,782.02		\$	(G+R)

Federal Carry-over

Federal Grant	\$75,000.00	\$	(E)
Total Federal Cost	74,782.02		(S)
Total Federal Carry-over	\$ 217.98	\$	(E-S)

Total 94-142 Project

State Portion	\$18,726.76	\$	
Federal Portion	74,782.02		
Total	\$93,508.78	\$	

**Instructions for the Worksheet for a P.L. 94-142
Project with Memberships**

The P.L. 94-142 program is jointly funded with membership monies and federal monies. To properly budget, account and report these funds they should be identified as separate fund sources. Variances between indirect cost rates and types of expenditures that can be financed with the two sources of money require a breakout of direct and indirect costs. The accompanying schedule is both an example to explain the separation process and a worksheet for the district to use in obtaining its own breakout of the two funding sources. The process must be completed working with the state funding first.

- A. Obtain the number of special education memberships from the Fourth Friday Report, DS-4061 and place on the blank line (A).
- B. Determine the gross membership allowance for pupils in your district from information obtained from the State Aid Status Report, R2749. To compute the gross membership allowance, add $\$328 + (\$59 \times \text{number of mills levied})$.
- C. State funding is determined by multiplying the number of F.T.E. memberships recorded on line A by the gross membership allowance determined for line B and enter the result on line (C).
- D. Determine the total direct expenditures recorded in the school district accounts for the 94-142/state membership allowance project and enter this amount on line (D).
- E. Obtain the 94-142 approval budget for the 94-142 project and determine the amount of federal funds allocated to the project. Enter the amount on line (E).
- F. Examine the Special Education rate printout R0416 and enter the rate for the district on line (F).
- G. Examine the Federal Indirect Cost Rate printout, R0413 for local school districts or the approved rate as determined from information submitted on intermediate district indirect rate application DS-4524. The district must use the restricted rate with the 94-142 expenditures.
- H. The state funding determined on line (C) is to provide the amount necessary for both state direct and state indirect costs. Line (H) is to identify the portion of the gross membership allowance which is to be reported as state funded direct costs. Line (J) is to identify the portion for indirect cost.

(Instructions for worksheet continued)

Based on the assumption that direct costs and indirect costs are equal to the gross membership allowance; then, the sum of 100% for direct costs and the percent which is your state special education rate will equal the total state funding. To determine the part which is state direct cost, perform the computation shown on line (L). Record the result of line [H(b)].

- J. To determine the amount of indirect cost chargeable to state funding, multiply the direct costs determined on line H by the indirect cost rate noted on line (F). Record the computed indirect cost in line [J(b)].
- K. The Total State Cost should be equal to the sum of lines (H) and (J) and check to the amount shown on line (C).
- M. The amount of expenditure for this line is taken from line (D).
- N. The amount of expenditures for this line is taken from line (H).
- P. The amount of expenditure for this line is determined by subtracting line (N) from line (M).
- R. The amount of federal indirect cost is determined by multiplying line (P) by the rate shown on line (G).
- S. The total federal cost is the sum of line (P) and (R).

The federal carryover is determined by subtracting line (S) from the federal grant shown on line (E).

The total expenditures, direct and indirect, for the project is determined by adding the amounts shown on lines (C) and (S).

SPECIAL EDUCATION STATE CODE PROGRAMS

	Section 52	Section 53	94-142 Regular	94-142 Carryover	State Initiated Regular	State Initiated Carryover	Membership
General	201	231	801	831	861*	861**	901
Educable Mentally Impaired	202	232	802	832	862	862	902
Trainable Mentally Impaired	227	257	827	857	887	887	927
Severely Mentally Impaired	228	258	828	858	888	888	928
Emotionally Impaired	203	233	803	833	863	863	903
Learning Disabled	204	234	804	834	864	864	904
Hearing Impaired	205	235	805	835	865	865	905
Visually Impaired	206	236	806	836	866	866	906
Phys. and O.H. Impaired	207	237	807	837	867	867	907
Severely Multiply Impaired	208	238	808	838	868	868	908
Preprimary	209	239	809	839	869	869	909
Severely Language Impaired	210	240	810	840	870	870	910
SUPPORT SERVICES							
T.C. Mentally Impaired	212	242	812	842	872	872	912
T.C. Emotionally Impaired	213	243	813	843	873	873	913
T.C. Learning Disabled	214	244	814	844	874	874	914
T.C. Hearing Impaired	215	245	815	845	875	875	915
T.C. Visually Impaired	216	246	816	846	876	876	916
T.C. Phys. and O.H. Impaired	217	247	817	847	877	877	917
Preprimary and Home Program	218	248	818	848	878	878	918
Homebound and Hospitalized	221	251	821	851	881	881	921
Speech and Language Impaired	201	231	801	831	861	861	901
P.E. Special Education	219	249	819	849	879	879	919
OTHER RELATED SERVICES							
School Social Worker	201	231	801	831	861	861	901
School Psychologist	201	231	801	831	861	861	901
Director (full-time)	201						
Supervisor (full-time)	220	220	920	850	880	880	920
Curriculum Resources	222						
Occupational Therapist	223	253	823	853	883	883	923
Physical Therapist	224	254	824	854	884	884	924
Other Professional Personnel	225	255	825	855	885	885	925
Prod. of Vis. Hdpd. Materials	226	256	826	856	886	886	926
Pupil Transportation	201	231	801	831	861	861	901
Tuition - School for the Blind	201	231					
Tuition - School for the Deaf	201	231					

*Fiscal Year will be designated numerically.

**Fiscal Year will be designated alphabetically

A=0	C=2	E=4	G=6	J=8
B=1	D=3	F=5	H=7	K=9

(Directions for Form DS-4096 - page 15)

1983-84 SPECIAL EDUCATION
ALLOWABLE EXPENDITURES FOR SECTION 52, SECTION 53
(EXCEPT INSTITUTION AND NURSING HOMES)
AND P.L.94-142 FLOW-THRU COSTS)

This is a Reference for Form DS-4096 and SE-4625

CodesFunction Object122 INSTRUCTION

Salary

- 1240 All approved special education teachers. This includes teachers of homebound and hospitalized and teachers of physical education for handicapped individuals
- 1630 Aide Salary
Only aides required by rule or approved by written waiver are reimbursable
- 1690 Interpreter
- 1870 Substitute Teacher (Refer to Special Education interpretation I-077)
Substitutes for P.L. 94-142 professional development activities are reported under Function 221

Employee Benefits

- 2100 Insurance (individual health, dental, life, etc.)
- 2820 Retirement (Refer to P2 of the DS-4096 directions)
- 2830 Social Security
- 2840 Workmens' Compensation
- 2850 Unemployment Insurance

Purchased Services

- 3210 Local Travel (i.e. staff traveling between buildings)
Note: Inservices/Conferences are to be recorded under Improvement of Instruction 221 with object 3120 or 3220)
- 3600 Printing for instructional materials on a contracted basis
- 3700 Tuition - Tuition paid for students attending the Michigan School for the Blind and Michigan School for the Deaf
- 4120 Instructional equipment repair and maintenance limited to instructional equipment used 100% for special education, language master, Bliss Boards, etc.
- 4210 Rentals land and buildings, i.e. renting classroom space from other districts or other agencies. Lease/Purchase is not reimbursable.
- 4220 Rental equipment of special education instructional equipment (i.e. wheel chairs) and rental of equipment for printing of instructional materials

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- Supplies and Materials**
- 5000 Series This includes consumable instructional supplies and equipment that are valued under \$300.00. All equipment must be inventoried in accordance with school district policy and standard accounting procedures. Furniture, such as student desks, teacher desks, storage and file cabinets is not reimbursable unless approved in the P.L. 94-142 program application. Instructional equipment that is ordinarily available in the building for regular education students such as slide projectors, paper cutters, etc. is not to be charged to special education. Only items that can or will be used 100% by special education are reimbursable.
- Capital Outlay - Equipment**
- 6400 Equipment and Furniture. This includes equipment and furniture used only for instruction of special education eligible students. Equipment is defined as any item that is valued at \$300.00 or more. Furniture such as student desks, teacher desks, storage and file cabinets is not reimbursable. Instructional equipment that is ordinarily available in the building for regular education students, such as movie projectors, are not to be charged to special education. Micro-computers used 100% in special education classrooms for instruction are reimbursable. For further definition of capital outlay items reimbursable under P.L. 94-142, refer to the March 25, 1982 memo to Directors of Special Education from Edward Birch entitled Procedural Clarification of Aspects Relating to Public Law 94-142 Funding. Noninstructional equipment and replacement of fixed assets are not reimbursable.
- Other Expense**
- 7900 Miscellaneous Expense (itemize list required for approval)

PUPIL SUPPORT SERVICE**213 HEALTH SERVICES**

- 1160 Supervision
 1410 Physician - listed as an employee
 1450 Nurse (full time special education)
 1470 Physical Therapist
 1480 Occupational Therapist
 1490 Other Technical (with Department of Education approval)
 1620 Secretary/Clerical (full time special education)
 1630 Aides (Department of Education approval)
 3130 Professional Technical - contracted medical services
 3200 Workshops and Conferences

214 PSYCHOLOGICAL SERVICES

- 1430 Psychologist
 1620 Secretarial (full time special education)
 1630 Bilingual Aides
 Other Aides (written deviation or waiver required for reimbursement of other aides)
 Others Refer to Directions for Instruction on page 1 for all other object expenditures

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215 SPEECH PATHOLOGY AND AUDIOLOGY

1280 Speech and Language Therapist
 1490 Audiologist
 1620 Secretary/Clerical (full time special education)
 1630 Bilingual Aides
 Other Aides (written deviation or waiver required for reimbursement of other aides)
 1820 Substitute Teacher
 3200 Workshops and Conferences
 Others Refer to Directions for Instruction on page 1 and 2 for all other object expenditures

216 SOCIAL WORK SERVICES

1440 Social Work
 1620 Secretary/Clerical (full time special education)
 1630 Bilingual Aides
 Other Aides (written deviation or waiver required for state aide reimbursement)
 1820 Substitute Teacher
 3200 Workshops and Conferences
 Others Refer to Directions for Instruction on page 1 and 2 for all other object expenditures

217 VISUAL AID SERVICES

1270 Visual handicapped media, procedures and blind materials
 1290 Mobility Specialist
 1620 Secretary/Clerical (full time special education)
 1630 Aide (written approval from Special Education Services)
 3200 Workshops and Conferences
 Others Refer to Directions for Instruction on page 1 and 2 for all other object expenditures

218 TEACHER CONSULTANT - SPECIAL EDUCATION

1250 Instructional consultation includes special education teacher consultants and workstudy coordinators
 1620 Secretary/Clerical (full time special education)
 1630 Aides (written waiver required for reimbursement)
 1820 Substitute Teacher Consultant
 3200 Workshops and Conferences
 Others Refer to Directions for Instructions on page 1 and 2 for all other object expenditures

219 OTHER PUPIL SERVICES (includes Music Therapist, Recreation Therapist, and "Other Professional Personnel" who qualify under R 340.1792 and are not included elsewhere.)

1490 Other Professional
 1620 Secretary/Clerical (full time special education)
 1630 Aides (written waiver required for reimbursement)
 3200 Workshops and Conferences
 Others Refer to Directions for Instruction pages 1 and 2 for all other object expenditures

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STAFF SUPPORT SERVICE

221 IMPROVEMENT OF INSTRUCTION

- Salary
- 1210 Curriculum Resource Consultant
 - 1620 Secretary/Clerical (full time special education)
 - 1630 Aide (written waiver required for reimbursement)
 - 1870 Substitute teachers for P.L. 94-142 professional development activities only
- Others Refer to Directions for Instruction on page 1 and 2 for all other object expenditures
- Purchased Services
- 3120 Professional technical - outside consultant for inservice
 - Honoriums for P.L. 94-142 limited to \$200 per day
 - 3220 Workshop inservice and conference expenses for school district staff. Expenses for non-special education personnel development may only be charged to P.L. 94-142

226 SUPERVISION AND DIRECTION INSTRUCTIONAL STAFF

- Salary
- 1120 Assistant Superintendent - full time Director of Special Education with the title of Assistant Superintendent. Not allowable under federal projects or Section 53
 - 1160 Supervision includes full time Special Education Supervisor.
 - 1170 Director of special education who is not an Assistant Superintendent. Not allowable under P.L. 94-142 or Section 53
 - 1620 Secretary/Clerical (full time special education)
- Employee Benefits
- 2100 Insurance (individual health, dental, life, etc.)
 - 2820 Retirement (Refer to P2 of the DS-4096 directions)
 - 2830 Social Security
 - 2840 Workmens' Compensation
 - 2850 Unemployment Insurance
- Refer to the March 24, 1982 memo on "Reimbursement for Unemployment Costs for Special Education Personnel" from Edward L. Birch
- Supplies, Materials and Other Services
- 3160 Professional technical - restricted to data processing services for the central registry (outside contracts limited to cost for central registry - cost cannot include programming charges or overhead costs - limited to machine time, keypunch and supplies)
 - 3200 Workshops and Conferences
 - 5000 Supplies and materials of an expendible nature such as paper, pencils, etc. Office equipment is not reimbursable unless approved for federal funding in the P.L. 94-142 application
 - 6000 Capital outlay - none unless approved for federal funding in the P.L. 94-142 application
 - 7900 Other expenses

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231 BOARD OF EDUCATIONPurchased Services

- 3170 Legal Services - Hearing officer fees when an attorney is hearing officer as required by special education rules.
 Note: School attorney fees for hearings are not allowable
- 3180 Audit expenses for federal projects only
- 3190 Professional technical - Hearing officer fees if an attorney is not used. Court recorders for hearing cost are included here

- 240 SCHOOL ADMINISTRATION (Used only if a school building is operated solely for special education purposes. Coding options would be the same as those under supervision and direction except for the central registry and hearings)

- 254 DIRECT OPERATION AND MAINTENANCE (Refer to Directions on Page 6)
 Limited to facilities used solely for special education where the direct cost method is used. If a district chooses to use this method, the district must include a description of how the direct operation and maintenance is calculated. The district may not charge indirect costs for any special education supportive or related service housed in a facility for which direct operation and maintenance is charged. A description must accompany the DS-4096 and include (a) a list of all special education programs, support services and related service personnel housed in the facility; (b) the salary and related costs for each; and (c) the procedure used to deduct these costs from the indirect cost claimed by line item. Specific procedures and examples are available from the Special Education Service Area upon request. The combination of direct and indirect totals cannot exceed 15% of program costs.

- 1350 Crafts and Trades
 1640 Custodian
 1660 Security
 1670 Laborer
 2000 Employee Benefits (same as for teachers, see page 1)
 3000 Purchased Services
 3800 Utilities
 3900 Insurance
 4100 Repair and Maintenance Services
 4200 Rentals
 5900 Supplies and Materials

- 255 PUPIL TRANSPORTATION Exclusively for Section 53. Cost must include the total reimbursable expenses reported on the DS-4094, column 5, plus applicable employee benefits attributable to personnel salaries in column 5 of the DS-4094.

257 INTERNAL SERVICESSalary

- 1620 Other Operation and Services (switchboard operator or receptionist in a facility used only for special education for Section 52 and 53 exclusively)
- 2000 Employee Benefits (same as for teachers, see page 1)

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- 262 PLANNING, RESEARCH, DEVELOP AND EVALUATION. Cost limited to those
100% attributable to "special education programs and services"
- Salary
- 1180 Special education approved personnel functioning as planners,
child find coordinators, compliance personnel
- 1620 Secretary/Clerical full time in special education
- Employee Benefits
- 2100 Insurance (individual health, dental, life, etc.)
- 2920 Retirement (Refer to P2 of the DS-4096 directions)
- 2930 Social Security
- 2840 Workmens' Compensation
- 2850 Unemployment Insurance:
Refer to the March 24, 1982 memo on "Reimbursement for Unemployment
Costs for Special Education Personnel" from Edward L. Birch
- Supplies, Materials and Other Services
- 5000 Supplies and materials of an expendible nature such as paper,
pencils, etc. Office equipment is not reimbursable unless approved
for federal funding in the P.L. 94-142 application
- 6000 Capital outlay - none unless approved for federal funding in the
P.L. 94-142 application
- 7900 Other expenses
- 266 DATA PROCESSING. For ISD central registry use only.
Data processing costs related to instructional materials are
reported under instructional function. If the district operates
its own computer program, an auditable method of billing must be
used. Reimbursement is limited to operational costs and may not
include purchase or replacement of equipment in the service cost.
- Purchased Services
- 3160 Professional Technical
- 330 CIVIC ACTIVITY (Parent Advisory Committee Only)
- Purchased Services
- 4900 Other Purchased Services
- Supplies, Materials and Other Services
- 5900 Other Supplies and Materials
- Other Expenses
- 7900 Miscellaneous Expense (Travel for PAC, etc.)
- 400 OUTGOING TRANSFER AND TRANSACTIONS
the only outgoing transfer that is reimbursable is the added cost of
tuition for students enrolled at the Michigan School for the Blind
and Michigan School for the Deaf. The added cost reimbursed on page
3, line 47 or 48 is calculated by taking the total tuition less the
membership. (Section 54 funds are a separate allocation and are not
used to calculate reimbursement under Section 52).
- 420 8300 Tuition for students attending public school in another state. This
is restricted by the State Aid Act to districts that border the
other state.

APPENDIX E

DATA-COLLECTION FORM FOR SPECIAL EDUCATION PLANS

Intermediate School District Special Education Millage Distribution
Analysis of Methods Included in 1984-85 Special Education Plan

ISD _____ Code Number _____

_____ Information included, page numbers _____ Comments _____

Analysis of Information

Follows:

_____ 340.1811(2), Comments: _____

_____ 340.1811(3), Comments: _____

_____ 340.1811(4), Comments: _____

_____ Utilizes alternative method, Comments: _____

_____ Information provided clearly or unclearly explains distribution
methods (operationally interpretable), Comments: _____

Additional comments: _____

Key: Y = Yes, N = No, C = Information Clear, Information Unclear

APPENDIX F

**LETTER TO INTERMEDIATE SCHOOL DISTRICT
DIRECTORS OF SPECIAL EDUCATION**

MICHIGAN STATE UNIVERSITY

COLLEGE OF EDUCATION · DEPARTMENT OF COUNSELING,
EDUCATIONAL PSYCHOLOGY AND SPECIAL EDUCATION

EAST LANSING · MICHIGAN · 48824-1034

April 30, 1985

Dear

A study is being conducted to learn the manner in which intermediate school district special education millage funds are distributed to constituent school districts. We are asking for help from you and other leaders in charge of special education at the intermediate school district level to acquire a necessary piece of information for the study.

What we need is a copy of the forms used to compute the amount of a constituent school district's claim on your intermediate school district special education millage fund. Enclosed is a stamped and addressed envelope to simplify the method of response. The information will be received confidentially and no individual intermediate school district will be identified in the report of the study or by any other disclosure.

If you would like a copy of the abstract of the report, fill out and return the accompanying abstract request form and return in the same envelope as the material used to compute a constituent district's claim on the special education millage fund. The completion of the study is anticipated by the middle of this coming summer and the requested abstracts will be mailed shortly thereafter.

We look forward with appreciation to receiving your response.

Sincerely,

Charles V. Mange, Professor
Department of Counseling, Educational
Psychology, and Special Education

Tim Krug, Doctoral Candidate
Department of Counseling, Educational
Psychology, and Special Education

jb

cc: Dr. Edward L. Birch

Enclosures

APPENDIX G

ABSTRACT REQUEST FORM

ABSTRACT REQUEST FORM

If you would like to receive an abstract of the study being conducted concerning the manner in which intermediate school district special education millage funds are distributed to constituent school districts in Michigan, fill in the information below.

NAME: _____

MAILING ADDRESS: _____

Return in the stamped and addressed envelope provided, or

Mail to: Tim Krug c/o Dr. Charles V. Mange
Department of Counseling, Educational
Psychology, and Special Education
Michigan State University
343 Erickson Hall
East Lansing, Michigan 48824

APPENDIX H

DATA-COLLECTION FORM FOR INFORMATION RECEIVED FROM

INTERMEDIATE SCHOOL DISTRICTS

Intermediate School District Special Education Millage Distribution

Analysis of Methods Used in the 1984-85 School Year

ISD _____ Code Number _____

Information Received (Y=Yes, N=No)

____ Received Form(s) and/or Other Material, Comments: _____

____ Phone Conversation, Person(s) _____

Comments: _____

Follow Up Letter(s) Sent? _____ Date(s) Sent _____

Was Abstract Requested? _____ If Yes, Date Sent _____

Analysis of Information

Follows:

____ 340.1811(2), Comments: _____

____ 340.1811(3), Comments: _____

____ 340.1811(4), Comments: _____

____ Utilizes Alternative Method, Comments: _____

____ Method Presented in Plan, Comments: _____

____ Reasons Included in Plan, Comments: _____

Follows:

____ 340.1812(1), Comments: _____

____ 340.1812(2), Comments: _____

Additional Information Needed (If Yes, Put an X over the Y, when Obtained)

____ From Plan, Comments _____

____ From Telephone Call, Comments _____

APPENDIX I

LETTER TO MICHIGAN DIRECTOR OF SPECIAL EDUCATION

MICHIGAN STATE UNIVERSITY

COLLEGE OF EDUCATION · DEPARTMENT OF COUNSELING,
EDUCATIONAL PSYCHOLOGY AND SPECIAL EDUCATION

EAST LANSING · MICHIGAN · 48824-1034
April 27, 1985

Edward L. Birch, Ph.D., Director
Special Education Services
Michigan Department of Education
P.O. Box 30008
Lansing, MI 48909

Dear Dr. Birch:

A study is being conducted to discover the manner in which intermediate school district special education millage funds are distributed to constituent school districts in Michigan. The purpose is to learn if constituent school districts and their handicapped students are treated legally in financial support both within and among intermediate school districts and to generate empirical evidence that may help with future policy decisions.

As one part of the study, we are requesting an interview with you, or your designee, to discover what the Michigan Department of Education is doing to assure that intermediate school districts are following the Michigan Special Education Rules governing the distribution and use of special education millage funds.

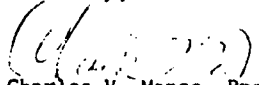
Specifically, we have two main questions, which are:

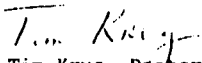
1. What criteria are used by the Michigan Department of Education to approve or disapprove an alternative method for distributing special education millage funds which has been submitted for approval (Rule 340.1811 (7)), as part of an intermediate school district special education plan?; and
2. What monitoring activities are undertaken by the Michigan Department of Education to assure that intermediate school districts are in compliance with Michigan Special Education Rules 340.1811 and 340.1812 which govern the distribution of special education millage funds?

We look forward to a favorable response to the request for an interview and will contact you soon to ask for an appointment.

Your efforts on behalf of Michigan's handicapped children and those who serve are appreciatively noticed.

Sincerely,


Charles V. Mange, Professor
Department of Counseling, Educational
Psychology, and Special Education


Tim Krug, Doctoral Candidate
Department of Counseling, Educational
Psychology, and Special Education

APPENDIX J

LETTER TO MICHIGAN DEPARTMENT OF EDUCATION DESIGNEE

MICHIGAN STATE UNIVERSITY

COLLEGE OF EDUCATION · DEPARTMENT OF COUNSELING
EDUCATIONAL PSYCHOLOGY AND SPECIAL EDUCATION

EAST LANSING · MICHIGAN · 48824-1034

July 17, 1985

Jan M. Baxter, Ph.D.,
Supervisor
Management Information & Finance
Special Education Services
Michigan Department of Education
P.O. Box 30008
Lansing, Michigan 48909

Dear Dr. Baxter:

Thank-you for meeting with me on June 3, 1985, as the designee of Dr. Birch, to respond to questions related to our study on the distribution of intermediate school district special education millage funds. For our purposes of study, and for the sake of clarity, I will state the two main questions which were asked and follow each by your response.

Question #1: What criteria are used by the Michigan Department of Education to approve or disapprove an alternative method for distributing special education millage funds which has been submitted for approval (Rule 340.1811 (7), as part of an intermediate school district special education plan?

Response: "There currently are no criteria."

Question #2: What monitoring activities are undertaken by the Michigan Department of Education to assure that intermediate school districts are in compliance with Michigan Special Education Rules 340.1811 and 340.1812 which govern the distribution of special education millage funds?

Response: "No monitoring is being done related to Rule 340.1811 and Rule 340.1812."

Also stated was: "If there was a complaint, we would look into it."

Please inform me if there is any misinformation in the statements above as reconstructed from my notes and memory.

Sincerely yours,

Tim Krug, Doctoral Candidate
Department of Counseling, Educational
Psychology, and Special Education

cc: Dr. Edward L. Birch
Dr. Charles V. Mange

APPENDIX K

**LETTER RECEIVED FROM MICHIGAN DEPARTMENT
OF EDUCATION DESIGNEE**



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION **STATE BOARD OF EDUCATION**

Lansing, Michigan 48909

August 7, 1985

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Mr. Tim Krug, Doctoral Candidate
Department of Counseling, Educational
Psychology, and Special Education
College of Education
Michigan State University
East Lansing, Michigan 48824-1034

Dear Tim:

The following is a response to the questions that you raised in your July 17, 1985, letter.

Question #1:

What criteria are used by the Michigan Department of Education to approve or disapprove an alternative method for distributing special education millage funds which has been submitted for approval (R340.1811(7)), as part of an intermediate school district special education plan?

1. Any alternative methods suggested under R340.1811(7) of the Michigan Administrative Code for distributing the intermediate district special education millage would, as a minimum, have to comply with the following criteria.
 - a. As specified in Section 7 of the rule, any alternative method would have to be included in the intermediate plan. This requires a review by the Parent Advisory Committee and all constituent districts.
 - b. As required in Section 1 of the rule, only programs and services authorized in the intermediate district plan and approved for reimbursement by the Department can be reimbursed under the alternative method.
 - c. The expenditure of the funds must be consistent with Sections 1722 through 1729 of the School Code. These are the sections that specify the conditions under which the intermediate millage is approved by the voters. This section specifically limits the funds to be used for "the education of handicapped persons" and requires that the funds be used "for special education purposes in accordance with rules promulgated by the State Board." With the exception of \$12,500, specifically excluded in Section 1711(2) of the School Code, the distribution of funds under an alternative method must be consistent with R340.1802 through R340.1805 of the Michigan Administrative Code.
 - d. If the intermediate district receives funds under Section 56 of the State School Aid Act, the intermediate district would be notified that the funds would have to be distributed on the added cost basis or the intermediate district would jeopardize receipt of funds under Section 56. I have already shared with you information that we collected from

Tim Krug
 Page 2
 August 7, 1985

districts receiving funds under Section 56 verifying that they were distributed on an added cost basis.

- e. Finally, the alternative method must be fair and equitable to all school districts consistent with the intent of R340.1811 of the Michigan Administrative Code.

Question #2:

What monitoring activities are undertaken by the Michigan Department of Education to assure that intermediate school districts are in compliance with Michigan Special Education Rules 340.1811 and 340.1812 which govern the distribution of special education millage funds?

Special Education Services does not "monitor the application" of R340.1811 or R340.1812. What the Department does is review and approve costs that are reimbursable. These costs then become the basis for the receipt of state aid and the basis for the distribution of intermediate millage. Remember, the criteria for the distribution of intermediate millage in R340.1811(1) are that the millage will only be used for programs "approved for reimbursement by the Department." These criteria apply to the distribution of all millage, including millage that is distributed under the optional criteria found in R340.1811(7). There is generally no need for the Department of Education to monitor the implementation of this rule since the responsibility for accounting for the distribution of funds by statute rests with the intermediate board of education.

The intermediate board, as indicated in Part 7 of the School Code, has responsibility for the maintenance and control of funds consistent with the law. Section 622 of the School Code requires the intermediate board to set up a set of accounts approved by the State Board and to have its books audited annually. Under the supervision and control provisions (Section 611), the intermediate board is responsible for the overall operation and expenditure of funds consistent with state law and rules. The intermediate superintendent, as the chief executive officer, is responsible to the board for the administration of funds as part of the performance of duties required under Section 153.

Intermediate districts submit to the Department of Education a copy of their audit. Department Services reviews each audit; and if there are any findings that indicate discrepancies in distribution of funds related to special education, these are forwarded to our office for review. These normally deal with discrepancies and distribution of federal funds.

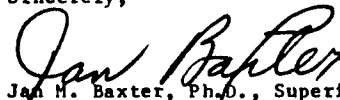
It is the responsibility of the intermediate district board of education and the superintendent as their executive officer to assure that the funds are distributed in accordance with rules promulgated by the Department. The Department approves the costs for which funds can be distributed and the school district auditor should be testing the expenditure of funds

Tim Krug
Page 3
August 7, 1985

according to those costs. If there is a complaint, the Department can investigate under special education rules and can complete a fiscal audit under Section R380.1281 of the School Code.

Attached is a copy of the September 19, 1984, memorandum sent to districts describing additional constraints added to Section 51(3)(e) of the State School Aid Act.

Sincerely,



Jan M. Baxter, Ph.D., Supervisor
Management Information and Finance
Special Education Services

JMB:sk

Enclosure

cc: Edward Birch
Charles Mange



DEPARTMENT OF EDUCATION

Lansing, Michigan 48909

September 19, 1984

MEMORANDUM

STATE BOARD OF EDUCATION

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GOV. JAMES J. BLANCHARD

Ex-Officio

TO: Local and Intermediate District Business Managers
and Special Education Directors

FROM: Jan M. Baxter, ^{JS}Supervisor, Special Education Services
Robert Nelson, ^{JS}Supervisor, Department Services

SUBJECT: Questions and Answers Regarding Changes in the State School Aid Act
Relating to Special Education Programs and Services for 1984-85
School Year

Question 1

Can a district which does not receive membership under Section 21 of the State Aid Act (commonly referred to as an out-of-formula district) receive membership for special education pupils?

Answer

Yes. An out-of-formula district may receive membership for the following categories of special education students: a) students in special education center programs, b) handicapped students who qualify for Section 53, and c) court placed students who qualify under Section 24 of the State Aid Act.

Question 2

What is a center program?

Answer

A center program as defined in Section 6(1) of the State School Aid Act is a program for the autistically impaired, trainable mentally impaired, severely mentally impaired, severely multiply impaired, hearing impaired, physically and other health impaired, visually impaired, as well as programs for the emotionally impaired that are housed in buildings that do not serve regular education pupils. For these program to qualify, they must be: a) identified as a center program in the intermediate district special education plan and b) serve all of the districts within the intermediate or serve pupils from three or more districts with less than 50% of the pupils being residents of the operating district.

Question 3

The State Aid Act allows the Department of Education to approve programs that have more than 50% of the pupils coming from the resident district as center programs. What is the criteria and procedure for obtaining this approval?

Answer

If a district does not serve all the constituent districts and more than 50% of the pupils come from the resident district, the district must have a waiver to be classified as a "center program."

To qualify, districts must verify that the program was established to meet the needs of handicapped students from other districts and it is only coincidental that more than 50% of the students reside in the operating district. Verification might include history of intermediate school district regionalization, data from two or more consecutive prior years showing the program at one time served less than 50% resident students, etc.

Application is by letter to the State Director of Special Education. The letter must contain the following information for each classroom:

- a) The disability category or categories qualifying the program as a center program as defined in Section 6(1) of the State Aid Act (refer to Question 2).
- b) The building(s) where each program is located.
- c) A copy of the section of the Intermediate District Special Education Plan approving the program to operate for several districts.
- d) A list showing the districts served, the total headcount, FTE in special education and FTE in regular education for each program. (The DS-4061 work sheet can be used to meet this requirement by adding the district of residence after the student's name.)
- e) A letter from the intermediate school district verifying that the program was designed and has been operated to meet the needs of at least three other districts, and in the opinion of the intermediate district it is only coincidental that more than 50% of the students reside in the operating district.

Question 4

How will districts calculate the tuition when they are serving a student from another district?

Answer

Section 51(3)(e) along with R340.1806 of the Michigan Administrative Code outlines the conditions and criteria for charging tuition for students in Section 52 programs or programs funded under P.L. 94-142. Refer to the attached chart for a summary of the information on tuition.

Question 5

The legislature set aside \$390,000 in Section 55 of the State Aid Act for a program developed by the Department for pupils who have a communication impairment. What is the purpose, what can funds be used for and how can districts apply?

Answer

The purpose is to provide funds for the purchase of equipment designed for persons with communication disorders or to cover the cost of testing individuals for the determination of a need for equipment designed for individuals with a communication impairment.

Funds can be used for the purchase of specially designed communication equipment not ordinarily available in the special education classroom. This includes specially designed or modified equipment used to help improve reading, writing, speaking and hearing, or otherwise enhance communications. It would include simulated language devices, and specially designed low vision reading aids not generally available. It would not include standard talking calculators, bliss boards, F.M. transmitters or electric typewriters unless they have been specially designed or adapted for an individual special education student(s) with a communication impairment. Funds may also be used to pay for testing of individual special education students where the testing is to determine the need for and ability to use specially designed communication equipment. Funds are not available under this section for testing that is ordinarily provided (MET evaluations, three year re-evaluations, etc.).

Funds are restricted to purchase of equipment and fees for testing. Funds are not available under this section for employment of staff, professional development, equipment repair, etc.

Grant applications will be developed and forwarded to all local and intermediate school districts. Funds will be available for up to 100% of the direct cost of equipment or testing. Reimbursement will be prorated if approved applications exceed the amount of funds available.

Expenses included in an approved grant may not be included for reimbursement under other federal or state funding programs.

The applicant will have to identify the model, manufacturer, and specific cost of equipment. If the equipment is designed and manufactured outside the State of Michigan, the applicant will have to certify that no vendor could be found to provide similar equipment within the same price range designed and manufactured in Michigan. Equipment must be for educational use, specifically related to helping the student achieve learning objectives identified in the IEP, and is restricted to use with special education students.

Question 6

Section 57 has been added to the State Aid Act and provides categorical funds for out-of-formula districts. Who qualifies for the program and how will funding be calculated?

Answer

Students in Section 52 and P.L. 94-142 programs for the educable mentally impaired, learning disabled, preprimary impaired, classroom programs for severely language impaired, as well as emotionally impaired students housed in buildings serving regular education pupils who are residents of out-of-formula districts will qualify to receive categorical aid under this section. Funds are not available for students from out-of-formula districts who received membership through center programs, or who qualify for Section 24 or Section 53.

These funds will be claimed by the operating district. There is a limit on the number of students who qualify for aid under this section. The operating district cannot claim more students from out-of-formula districts than were served under the above named categories for the 1983-84 school year. This includes the number of students who are residents of out-of-formula districts who were counted in the following categories; a) students who were attending in-formula district or intermediate district programs the previous year who were counted by the operating district for membership, or b) students who were attending P.L. 94-142 or Section 52 center programs in the above designated categories. The amount of funds to be allocated under Section 57 will be 85% of the per pupil membership aid gross allowance computed under Section 21(1) or Section 51(3)(d) for the district or intermediate district that will provide the programs.

Question 7

The fourth Friday count form (DS-4061) requires districts to allocate membership to students receiving special education teacher consultant services and instructional services to preprimary age children. Will these students qualify for reimbursement under Section 57?

Answer

Yes.

Question 8

Section 21 was amended to allow an additional \$28 in membership for districts that meet the specified program requirements. Will this \$28 be included in the membership aid gross allowance when calculating the intermediate district membership figure?

Answer

Yes.

CALCULATING TUITION FOR SPECIAL EDUCATION SECTION 52 STUDENTS
FOR THE 1984-85 SCHOOL YEAR

: DISTRICT OF	:	OPERATING DISTRICT - NON CENTER PROGRAMS			:	CENTER PROGRAMS	:
: RESIDENCE	:	IN FORMULA	:	OUT OF FORMULA	:	ALL DISTRICTS	:
:	:	:	:	:	:	:	:
:	:	:Per pupil cost, minus:	:	:Per pupil cost, minus:	:	:Per pupil cost, minus:	:
:	:	:operating district	:	:categorical aid, minus:	:	:operating district or:	:
:	:	:gross per pupil	:	:any ISD reimbursement	:	:ISD gross per pupil	:
:	:	:membership, minus	:	:and federal aid.	:	:membership, minus	:
:	:	:categorical aid,*	:	:	:	:categorical aid,	:
:	:	:minus any ISD	:	:The district of	:	:minus any ISD or	:
:	:	:reimbursement & any	:	:residence will collect:	:	:federal aid.	:
:	:	:federal aid.**	:	:the membership.	:	:	:
:	:	:	:	:	:	:	:
:	:	:	:	:	:	:	:
:	:	:Ref. Sec.51(3)(e)(ii):	:	:Ref. Sec.51(3)(e)(i)	:	:Ref. Sec.51(3)(d)	:
:	:	:	:	:	:	:	:
:	:	:Per pupil cost, minus:	:	:Per pupil cost, minus:	:	:Per pupil cost, minus:	:
:	:	:categorical aid,	:	:categorical aid,	:	:operating district or:	:
:	:	:minus any ISD	:	:minus any ISD	:	:ISD gross per pupil	:
:	:	:reimbursement or	:	:reimbursement or	:	:membership, minus	:
:	:	:federal aid.	:	:federal aid.	:	:categorical aid,	:
:	:	:	:	:	:	:minus any ISD or	:
:	:	:	:	:	:	:federal aid.	:
:	:	:	:	:	:	:	:
:	:	:	:	:	:	:	:
:	:	:Ref. Sec.51(3)(e)(ii):	:	:Ref. Sec.51(3)(e)(ii)	:	:Ref. Sec.51(3)(d)	:
:	:	:and Sec.111	:	:	:	:	:
:	:	:	:	:	:	:	:

NOTE: * Categorical aid includes Section 52, 55, and 57 funds received by the operating district.
 ** Federal funds must be deducted under provisions of Section 51(1), Section 51(2), and Section 51(3)(b)

APPENDIX L

**MICHIGAN DEPARTMENT OF EDUCATION LISTING OF
REQUIREMENTS FOR THE REVIEW OF INTERMEDIATE
SCHOOL DISTRICT SPECIAL EDUCATION PLANS**

Revised: 5/83

MICHIGAN DEPARTMENT OF EDUCATION

Special Education Services

Format for Reviewing 1984-85 Intermediate Plans for
the Delivery of Special Education Programs and Services

INTERMEDIATE SCHOOL DISTRICT: _____ District # _____

Date Submitted: _____

NAME OF INTERMEDIATE CONTACT PERSON: _____

TITLE: _____

PHONE: _____

<u>Y</u>	<u>N</u>	Do you suspect this Plan will be under objection?
----------	----------	---

Needed Prior to Review:

- | | | |
|----------|----------|--|
| <u>Y</u> | <u>N</u> | 1. Endorsement pages containing original signatures with dates*
(or notarized copy) of: |
| <u>Y</u> | <u>N</u> | a. ISD Superintendent (indicates approval) |
| <u>Y</u> | <u>N</u> | b. Superintendent of each Constituent District (indicates
involvement) |
| <u>Y</u> | <u>N</u> | c. PAC Chairperson (indicates involvement) |
| <u>Y</u> | <u>N</u> | 2. Copy of the attached "Plan Format" listing page numbers.
Please return one copy to the Department. |
| <u>Y</u> | <u>N</u> | 3. Two copies of the Plan. |

*NOTE: Undated signatures for either the original
Plan or for modifications are not
acceptable.

ISD _____

Part 1. Comprehensive Special Education Programs and Services

	Section 1.1 Procedural Safeguards	Criteria Met (State Use)	
Page #	Describe any procedural safeguards required by the intermediate school district to:		
_____	(1) Insure confidentiality of personally identifiable information.	<u>Y</u>	<u>N</u>
_____	(2) Provide parent notice and secure written consent before preplacement evaluation or placement of a handicapped student.	<u>Y</u>	<u>N</u>
_____	(3) Advise and inform handicapped persons, their parents, and other members of the community as to the special education opportunities required under the law; the obligations of the local and intermediate school district and the name, address, and telephone number of representatives of both the local and intermediate school districts where information can be obtained.	<u>Y</u>	<u>N</u>
_____	(4) Inform parents of their right to obtain an independent educational evaluation and due process hearing.	<u>Y</u>	<u>N</u>
_____	(5) Advise parents of the complaint process.	<u>Y</u>	<u>N</u>
	Section 1.2 Public Awareness		
_____	Describe activities and outreach methods which are used to insure that all citizens are aware of the availability of special education programs and services.	<u>Y</u>	<u>N</u>
	Section 1.3 Referral System		
_____	Describe any procedures required by the intermediate school district for processing and reporting referrals for persons up to 25 years of age known to be, or suspected of being, handicapped.	<u>Y</u>	<u>N</u>
	Section 1.4 Diagnostic Services		
_____	Describe the type and amount of diagnostic services that are directly operated within the intermediate school district.	<u>Y</u>	<u>N</u>
_____	Describe those diagnostic services purchased or contracted for from outside the intermediate school district.	<u>Y</u>	<u>N</u>
	Section 1.5 Individualized Educational Planning Committee Procedure		
_____	(1) Describe the procedure for registering eligible students with the intermediate central registry.	<u>Y</u>	<u>N</u>
	(2) Describe any procedures required by the intermediate school district for:	<u>Y</u>	<u>N</u>

ISD _____

Criteria Met
(State Use)

- | | | | |
|-------|---|----------|----------|
| <hr/> | (a) Determining student eligibility, programs and placement of handicapped students. | <u>Y</u> | <u>N</u> |
| <hr/> | (b) Conducting and administering the individualized educational planning committee meeting. | <u>Y</u> | <u>N</u> |

Section 1.6 Continuum of Special Education Programs and Services

- | | | | |
|-------|--|----------|----------|
| <hr/> | (1) Describe the special education basic programs and supportive services. | <u>Y</u> | <u>N</u> |
| <hr/> | Describe the vocational training programs designed to meet the educational needs of handicapped persons. | <u>Y</u> | <u>N</u> |
| <hr/> | (2) Describe any additional programs or services, including summer school programs, work activity centers, specialized programs, nursing homes, state hospitals and mental health and child care facilities. | <u>Y</u> | <u>N</u> |
| <hr/> | (3) List the constituent districts that have been approved to graduate handicapped persons who are so impaired that they cannot complete the regular education program. | <u>Y</u> | <u>N</u> |

Section 1.7 Community Integration and Follow-Up

- | | | | |
|-------|--|----------|----------|
| <hr/> | (1) Describe the procedure used to assure integration of each handicapped person into the school and the community environment. | <u>Y</u> | <u>N</u> |
| <hr/> | (2) Describe the means by which the local school district and the intermediate school district shall determine the effectiveness of special education programs and services and the educational plan for each handicapped person. The follow-up system shall include a procedure for determining the school-community adjustments of handicapped persons for at least one year following termination of their special education programs and services. | <u>Y</u> | <u>N</u> |

Part 2. Management of Special Education Programs and Services

Section 2.1 Administration of Programs and Services

- | | | | |
|-------|---|----------|----------|
| <hr/> | (1) Identify the district administrator who is responsible for the implementation of special education programs and services. | <u>Y</u> | <u>N</u> |
| <hr/> | (2) Describe any administrative procedure required by the intermediate school district for: | | |
| <hr/> | requesting deviations, | <u>Y</u> | <u>N</u> |
| <hr/> | processing objections to the intermediate school district plan, | <u>Y</u> | <u>N</u> |
| <hr/> | investigating complaints. | <u>Y</u> | <u>N</u> |

(3)

ISD _____

Criteria Met
(State Use)**Section 2.2 Qualified Personnel**

- | | | | |
|-------|---|----------|----------|
| _____ | (1) Estimate the type of professional and paraprofessional personnel needed to provide the special education programs and services described in Section 1.6. | <u>Y</u> | <u>N</u> |
| _____ | (2) Describe the procedures required by the intermediate school district for determining the professional development needs of special education and general education staff and the plans for meeting these needs. | <u>Y</u> | <u>N</u> |
| _____ | Describe your qualifications for paraprofessional personnel. | <u>Y</u> | <u>N</u> |

Section 2.3 Facilities and Transportation

- | | | | |
|-------|---|----------|----------|
| _____ | Describe the type of facilities and the transportation necessary to provide the special education programs and services described in Section 1.6. | <u>Y</u> | <u>N</u> |
|-------|---|----------|----------|

Section 2.4 Instructional Content

- | | | | |
|-------|---|----------|----------|
| _____ | (1) Describe procedures to be used by the intermediate district for approval of instructional content of special education programs and services. | <u>Y</u> | <u>N</u> |
| _____ | (2) The instructional content shall, at a minimum include personal adjustment, prevocational and vocational training, and physical education. | <u>Y</u> | <u>N</u> |

Section 2.5 Monitoring and Evaluation

- | | | | |
|-------|---|----------|----------|
| _____ | Describe the method, timetable and criteria for monitoring and evaluating state institutions and public school special education programs and services within the intermediate school district. | <u>Y</u> | <u>N</u> |
|-------|---|----------|----------|

Section 2.6 Federal Funds

- | | | | |
|-------|--|----------|----------|
| _____ | Describe for each anticipated grant or entitlement of federal monies the amount and source of the funds, the anticipated manner in which it shall be utilized and the process of how such funds will be distributed to, or on behalf of, local school district. Such description shall specifically include why the distribution planned is deemed to be equitable and representative of the respective population of handicapped students in each of the local districts. | <u>Y</u> | <u>N</u> |
|-------|--|----------|----------|

Part 3. Parent Advisory Committee**Section 3.1 Organizational Structure of the Parent Advisory Committee**

- | | | | |
|-------|---|----------|----------|
| _____ | Describe the organizational structure of the Committee, including officers and their responsibilities, meeting times, notice thereof, voting procedures, terms of office and related matters. | <u>Y</u> | <u>N</u> |
|-------|---|----------|----------|

ISD _____

Criteria Met
(State Use)Section 3.2 Role and Responsibility of the Parent Advisory
Committee

- _____ (1) Describe the role and responsibility of the Committee, Y N
including how it shall participate in the cooperative
development of the plan, formulate objections thereto, if
any, and such related matters as the role and responsibility
of the Parent Advisory Committee in evaluating special
education programs and services within the intermediate
district.
- _____ (2) Describe the role and relationship of administrative and Y N
other school personnel, as well as representatives of other
agencies, in assisting the Committee in its responsibilities.

Section 3.3 Administrative Support of the Parent Advisory
Committee

- _____ Describe the fiscal and staff resources that shall be secured or Y N
allocated to the Committee by the intermediate school district in
order to make it efficient and effective in operation.

For MDE Completion:

ISD #: _____ Date Rec'd: _____

_____ Recommended for Approval

_____ Returned (see items checked No above.)

By: _____

Date: _____

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REFERENCES

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