



# PUBLIC SCHOOL ENROLLMENT TRENDS IN DETROIT

## In Brief

- Over the most recent 25-year period since 1990, Detroit's population dropped 34 percent, but Detroit Public Schools (DPS's) enrollment fell 73 percent. Over the same period, state policymakers enacted new laws that made it easier for students to move to a neighboring school district (inter-district choice), but also created a new type of public school (charter schools) to compete for students.
- The Detroit education market continues to shrink on the whole and almost all of the total enrollment decline is coming out of the DPS market share of total enrollment.
- The recently crafted reform package to deal with DPS's legacy debts and governance issues is likely to stabilize the district's financial situation, at least in the near term, which may reduce some of instability that has contributed to enrollment declines.
- The changes in Detroit public school enrollment have affected the enrollment composition in nearly all the schools that educate Detroit children, and this is most apparent in the number and share of special education students attending certain schools, most notably DPS.
- For the current school year, nearly one out of every five DPS students (18 percent) has an Individualized Education Program (IEP), qualifying him or her to receive some amount of special education services.
- Compared to the statewide average, DPS enrolls proportionately more children with disabilities. DPS's special education enrollment is more than twice the size of the total special education population in all surrounding traditional districts combined.
- Under Michigan's model, district general funds serve as the "funder of last resort." This means after all dedicated funding is exhausted, general fund dollars must be used to fulfill the financing responsibilities for approved costs.
- DPS's per-pupil general fund subsidy was 53 percent larger than the average subsidy of all the other traditional public school districts and charter schools in the Wayne RESA district.
- The fact that other districts face the same challenge suggests that DPS is burdened by two challenges; 1) the general structure and operation of the special education financing system, and 2) its large special education population. For DPS, the combination of these two challenges is exacerbated by the fact that its overall enrollment has been falling precipitously over the last 10 years. This enrollment decline has resulted in fewer general fund dollars and a greater share of these resources having to go towards meeting special education spending mandates.

## Introduction

In January 2016, CRC reported that Detroit Public Schools (DPS) has over \$3.5 billion outstanding in combined operating and capital liabilities.<sup>1</sup> In February, DPS officials announced that the district was facing an impending cash shortfall and would not have sufficient resources to pay employees and

operate schools beyond mid-April. In late March, the Michigan Legislature responded to the immediate cash crisis and appropriated \$49 million in state funds to carry the district through the end of the school year.

Following the state's stopgap response to the April cash crisis, legislative focus pivoted to the larger issues facing DPS and the public education landscape

<sup>1</sup> Citizens Research Council of Michigan, *Detroit Public Schools' Legacy Costs and Indebtedness*, Memo 1138, January 2016. [http://crcmich.org/PUBLICAT/2010s/2016/Detroit\\_schools\\_legacy\\_costs\\_indebtedness\\_2016.pdf](http://crcmich.org/PUBLICAT/2010s/2016/Detroit_schools_legacy_costs_indebtedness_2016.pdf)

in the City of Detroit. Both legislative chambers adopted differing proposals that embrace a variety of other reforms dealing with the myriad of complex financial, academic, governance, and management challenges that have plagued the district for decades. In early June, the Legislature agreed to a plan designed to help DPS pay off its legacy debts, to end state-control of the district, and to return the district to local control. It is too early to predict how successful the plan will be towards addressing the factors causing the district's short- and long-term financial problems.

Among the key causes of DPS's financial problems, is the massive and sustained student enrollment decline.

This decline has dramatically shifted the composition of the district's enrollment in important ways. This report examines student enrollment trends of Detroit children attending public schools – including those enrolled in DPS, neighboring public school districts, charter schools, and the Education Achievement Authority (EAA) district – and investigates the ways in which DPS's enrollment decline has changed the composition of its student body. Specifically, it analyzes the relative growth in the special education student population and the disproportionate financial burden DPS faces providing mandated services to this population. Future enrollments and the composition of the student body will affect the flow of funds into the district and the demands placed on those funds.

## Enrollment Trends

### Massive Population Exodus

The U.S. Census Bureau estimates that the City of Detroit had a 2015 population of 677,116, ranking it the 21<sup>st</sup> largest city in the United States; just larger than Washington, D.C. (672,228) and smaller than El Paso, Texas (681,124). In 1970, Detroit was the 5<sup>th</sup> largest city with a population of 1,511,482; wedged between Philadelphia (1,948,209) and Houston (1,232,802) in the national rankings.

While Detroit's population decline began in the 1950s, it was in full swing by 1970. "White flight" from Detroit to the surrounding suburbs accompanied the migration of job providers, notably automobile plants,

from the urban center. Detroit's steady population exodus between 1970 and 1990 is mirrored in the student enrollment figures for DPS during the same period (see **Table 1**).<sup>2</sup> During the two-decade period, the overall population fell 32 percent while DPS student enrollment similarly declined 38 percent. DPS was the only public schooling option available to Detroit children during this time; the state law authorizing charter schools was enacted in 1993 and inter-district options were limited until mid-1990s.

<sup>2</sup> Unlike the City of Detroit population that peaked in the mid-1950s, DPS enrollment decline did not begin until years later. Enrollment peaked in 1966 at 299,962 students before beginning a slow and steady decline that accelerated beginning around 1990.

Table 1  
City of Detroit Population and Detroit Public Schools Enrollment, 1970 to 2015 (selected years)

	1970	1980	1990	2000	2010	2015	1970-1990	1990-2015
City of Detroit	1,511,482	1,203,368	1,027,974	951,232	713,777	677,116	-32%	-34%
Detroit Public Schools	293,822	224,358	182,332	169,363	77,594	47,959	-38%	-73%

Source: U.S. Census Bureau; State of Michigan, Center for Educational Performance and Information

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In contrast, more recent DPS enrollment declines have greatly outpaced the decline in the city's general population. Over the most recent 25-year period since 1990, the city's population dropped 34 percent, but DPS's enrollment fell 73 percent.<sup>3</sup> DPS lost an average of almost 8,300 students per year between 2000 and 2010. The divergence suggests that something other than general population trends has been driving student enrollment in DPS since the early 1990s.

### State Policies Facilitate Greater School Choice

The City of Detroit's population loss only explains a portion of the DPS's student enrollment decline since the early 1990s. A much larger contributing factor is the role played by public policy decisions affecting the educational landscape in Detroit. These policy changes are not geographically confined to Detroit; however, over time, they have had a pronounced effect in urban areas of the state.

Over the last 25 years, state policy has enabled greater public school choice; state laws were modified to allow students to more freely seek alternatives to their local schools. While the public policies themselves did not cause students to leave their local school district, they directly facilitated student movement. Specifically, new laws made it easier for students to move to a neighboring school district (inter-district choice), but also created a new type of public school (charter schools) to compete for students.

The expansion of school choice effectively broke up the de facto education monopolies that public school districts previously enjoyed. Initially, policymakers constrained public school choice (e.g., limiting the number of charter schools), but over time these legal limits were removed and new types of charter schools were permitted (e.g., cyber charters), providing another public schooling option.

<sup>3</sup> For comparison purposes, total statewide public school enrollment declined a modest 3.9 percent between 2010 and 2015, from 1,602,124 students to 1,540,005 students. Some of the dramatic change for DPS is attributable to the creation of the Education Achievement Authority during this period and the assignment of 15 former DPS schools (and students) to the new entity.

The expansion of, and subsequent participation in, school choice was greatly facilitated by the school finance reforms of the mid-1990s. Proposal A of 1994 altered the funding of school operations away from a model that relied on locally levied property taxes to a model that relies on state-level taxes and funding decisions made by state officials. Importantly, Proposal A also introduced the per-pupil foundation grant as the primary mechanism for distributing operating funds to districts. Since 1994, school districts have received the majority of their operating revenue from state appropriations and the total amount each district receives depends primarily on the number of pupils enrolled.

### Changing Market Share

The combination of expanded choice and the mechanics of the Proposal A funding model allows funding to follow the student to the education provider of his or her choice. Again, these policies did not cause families to flee their local district, but they did make it much easier for families seeking alternatives to change schools without having to physically move to a new community. While broader forces (e.g., population shifts) affect the size of the school-age population in a community and directly play a role in district enrollment trends, many more factors are at play. For any given family, where to enroll their school-age child is a personal decision based on many considerations. Parents often weigh the pluses and minuses associated with each individual school's academic performance, location, safety record, culture, academic and nonacademic programs, financial health, as well as other factors.

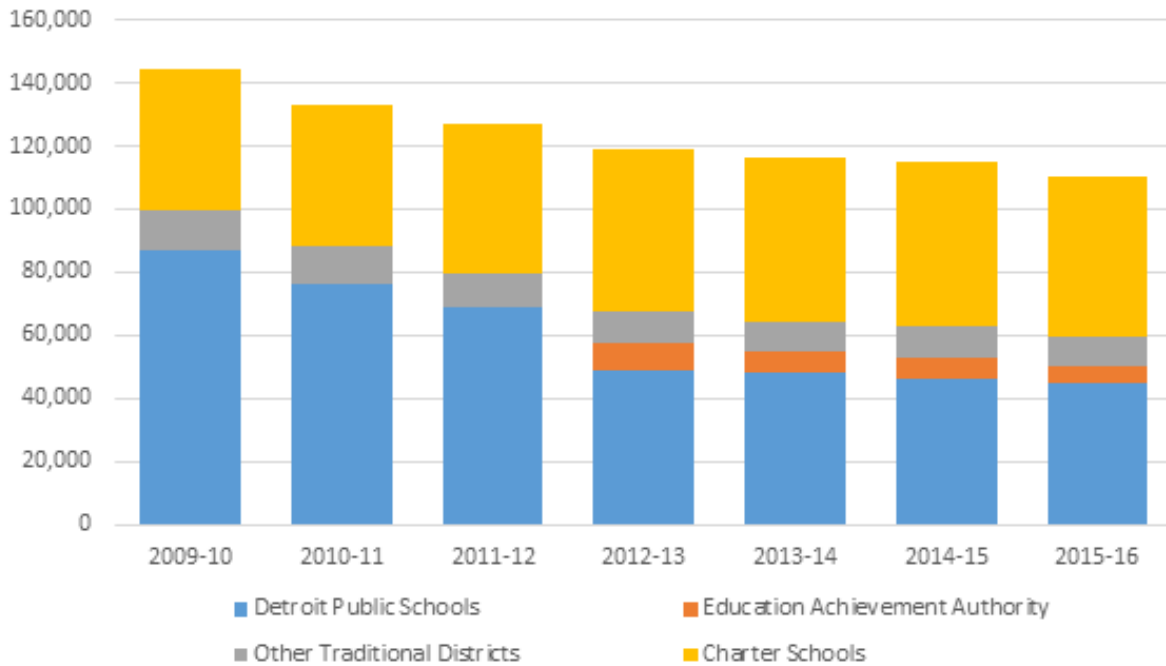
Whatever the reasons behind their decisions, for over two decades Detroit families have taken advantage of expanded school choice in large and growing numbers. And despite Detroit's massive population decline, families have left DPS in droves to send their children to charter schools inside and outside the city boundaries as well as to schools operated by other districts outside the city.

Recent enrollment trends in all public schools enrolling Detroit school children show the degree of choice participation (**Chart 1**).

The data document two important trends. First, the

Chart 1

Detroit Resident Public School Student Enrollment by Type of District, 2009-10 to 2015-16



Source: Michigan Center for Educational Performance and Information (See Appendix for data)

Detroit education market continues to shrink on the whole. **Chart 1** shows total Detroit public school enrollment declined by 23 percent over the last seven years. The largest single-year decline occurred in 2010-11 when 11,251 fewer school children enrolled in public school, an eight percent reduction. The market shrank a more modest three percent between 2012-13 and 2014-15, suggesting some degree of stabilization; however, it contracted just over three percent in 2015-16 (4,402 students).

Second, almost all of the total enrollment decline is coming out of the DPS market share of total enrollment.<sup>4</sup> In 2015-16, **Chart 1** shows that DPS enrolled about 41 percent of all Detroit school children attending public schools compared to 60 percent in 2009-10. A total of 233 other school districts (151 charter schools located inside and outside the City

of Detroit and 82 traditional school districts) enrolled at least one Detroit resident. For 85 of these charter schools, Detroit children accounted for at least 50 percent of the total enrollment. In the case of other traditional districts, Detroit resident students comprised at least 20 percent of the total enrollment in six districts (Oak Park, Harper Woods, Clintondale, Ferndale, Madison, and River Rouge).

The reduction in the Detroit market combined with market share changes have resulted in DPS no longer being the majority educator of Detroit residents. As of the 2012-13 school year, charter schools located inside and outside the city limits, as a group, are responsible for educating more Detroit students than DPS. The number of charter schools enrolling at least one Detroit resident increased from 112 schools in 2009-10 to 151 schools in 2014-15.

While the charters' share of the Detroit education market has increased, the share held by other traditional public districts has remained fairly consistent. Neighboring districts are responsible for educating about eight percent of the Detroit

<sup>4</sup> "Market share" reflects where Detroit resident students enroll. For DPS, the market share is calculated by subtracting the district's nonresident student enrollment from its total enrollment. Because charter schools and the EAA do not have "residents," all DPS resident students enrolling in these schools are included in the respective market share calculations.

market. The number of districts enrolling at least one Detroit child has hovered around 80 since the 2009-10 school year.

In addition to the increased role of school choice in the Detroit market, DPS's market share loss is also attributable to the creation of the Education Achievement Authority (EAA). This is a more recent development and a function of a state policy directed at academic problems in public schools; the implementation of the EAA had nothing to do with expanding school choice. Initially envisioned as a statewide district to operate the lowest performing schools, to date, it only operates in the City of Detroit.<sup>5</sup> The EAA began operations in the 2012-13 school year assuming control over 15 former DPS schools and the students assigned to those schools. In 2015-16, the EAA enrolled 4.7 percent of Detroit public school children, down from 7.4 percent its first year. While the EAA is scheduled to cease operations after the 2016-17 school year, it is unclear where its students will enroll for the 2017-18 school year.<sup>6</sup>

Overall, market shares have remained relatively stable for the past three years. Charter schools have gained a bit, largely at the expense of DPS and EAA shares. At the same time, total Detroit resident public school enrollment continues to decline, but at a slower rate than five years earlier.

### What Does the Future Hold for Public School Enrollment in Detroit?

School districts are required by law to set their budgets for the coming fiscal year (July 1) well in advance of the first day of school (early September). They do this without knowing a key fiscal consideration in a system that is funded on a per-pupil basis; how many students will be attending school in the fall. Because the amount of school funding that a district receives is based on student enrollment, fewer

students showing up in the fall immediately translates into less revenue. While some operating expenses can be trimmed to accommodate the realization of less funding, most educational spending (e.g., instructional personnel) is fixed in the short term.<sup>7</sup> Student enrollment declines, especially significant and unanticipated declines, can result in serious fiscal challenges for school districts if they are unable to reduce spending fast enough.

School district fiscal planning relies heavily on projecting student enrollment. Enrollment projections are key inputs to both near-term (e.g., how many teachers to employ) and long-term (e.g., opening and closing schools) financial decisions. Enrollment projections are equal parts art and science. Historic enrollment trends, combined with birth rates and other economic and demographic data, supply the science behind the projections. Other factors, however, inject much more uncertainty to a district's future student enrollment picture. For example, in communities with a significant amount of public school choice and high levels of choice participation, individual districts have little information about their competitors' future plans (e.g., location of a new school, adding new programs and grades). In addition to the uncertainty surrounding the departure of students from districts in a high-choice market, officials do not know exactly how many nonresident students may choose to enroll in their schools each year.

Accurately predicting public school enrollment is difficult for most school districts; however, it is particularly difficult for schools in Detroit given the unique educational landscape with intense competition for student. Also, the city's slow and uneven economic emergence following its historic bankruptcy makes enrollment forecasting difficult as many areas of the city continue to deteriorate as families flee. For years, all schools in the city, but especially those operated by DPS, have faced considerable instability from the combination of competition and economic struggles – closings, staffing reductions, program cuts, and financial uncertainty. This instability is anathema to accurately projecting student enrollment.

<sup>5</sup> The EAA was created through an inter-local agreement between DPS (by the state-appointed emergency manager at the time) and Eastern Michigan University in 2011. It is not authorized in state law, but state law allows an emergency manager to transfer schools to the authority.

<sup>6</sup> In February 2016, Eastern Michigan University pulled out of the inter-local agreement. Without the participation of another university, this action will effectively dissolve the EAA beginning after the 2016-17 school year.

<sup>7</sup> Citizens Research Council of Michigan, *Managing School District Finances in an Era of Declining Enrollment*, Memo. No.1131, January 2015. [http://crcmich.org/PUBLICAT/2010s/2015/managing\\_school\\_district\\_finances\\_in\\_era\\_of\\_delining\\_enrollment-2015.pdf](http://crcmich.org/PUBLICAT/2010s/2015/managing_school_district_finances_in_era_of_delining_enrollment-2015.pdf)



**Detroit Population Estimates.** The recent U.S. Census estimate that the City of Detroit has dropped out of the top-20 most populous cities continues a nearly seven decades-long slide that began in the 1950s. The estimate also suggests that the annual population decline has slowed from recent experience. The city's population fell 0.46 percent in 2015, compared to an annual average loss of slightly more than 1 percent since the 2010 decennial Census. It is unclear if this signals a long-term trend, or a one-year blip.

In 2012, the Southeast Michigan Council of Governments (SEMCOG) released its population forecast for southeast Michigan, including Detroit. The forecast provides population estimates by age grouping at five-year increments through 2040.<sup>8</sup> Between 2015 and 2020, SEMCOG data shows Detroit's total population falling 3.6 percent and the school-age population (5-17) shrinking by a similar 3.8 percent (about 1 percent per year on average). SEMCOG's report suggests that the size of the public school market in Detroit will continue to contract over the coming years, but it does not shed any light on where these children will attend school.

**Detroit Market Shares.** Given the prospect that Detroit's population will continue to decline, it is certain that DPS will lose enrollment in the coming years (assuming the district maintains its current market share). However, as noted, population is only one factor driving school enrollment. A much more important determinant is the competition for students from other providers. In recent years, the district's share of the public school market has remained fairly stable, hovering around 40 percent (**Chart 1** above). Maintaining, or increasing its market share, will be key to DPS efforts to stabilize its enrollment over the coming years.

Whether DPS will be able to maintain or increase its market share depends on many factors, including many that are outside of the district's direct control.

One such factor is the planned opening and closing of charter schools that either currently or would enroll Detroit school children. According to the Michigan Department of Education, one new Detroit-based charter school is planned for each of the next two school years (fall 2016 and fall 2017 openings). Enrollment estimates for these two schools are not available.

Four existing Detroit charter schools are slated to close at the end of the current school year (June 2016). Collectively, these schools enroll 1,741 students; however, it is unknown where these students will enroll in the fall of 2016.<sup>9</sup>

In addition to charter school openings/closings, another development that will directly impact DPS enrollment is the planned closing of the EAA after the 2016-17 school year. Enrollment in the district has fallen 41 percent since it began operations in 2012-13 with 8,783 students. Many students left to attend charter schools as well as DPS and other traditional schools. It is assumed, at this time, that governance of the schools will revert back to DPS beginning with the 2017-18 school year; however, it cannot be known how many of the EAA students will enroll in DPS in the fall of 2017.

Finally, the Michigan Legislature recently crafted a reform package to deal with DPS's legacy debts and governance issues. How, if at all, the legislation will impact enrollment is unknown at this juncture. It is likely to stabilize the district's financial situation, at least in the near term, which may reduce some of instability that has contributed to enrollment declines.

<sup>8</sup> Southeast Michigan Council of Governments, Community Profile, <http://semcog.org/Data-and-Maps/Community-Profiles>.

<sup>9</sup> According to the Michigan Department of Education, planned charter closings and enrollment: Natakhi Talibah Schoolhouse of Detroit (140 students), Allen Academy (897 students), Cornerstone Health and Technology Academy (376 students), and Experiencia Preparatory Academy (328 students). [http://www.michigan.gov/mde/0,4615,7-140-6530\\_30334\\_40088-256117--,00.html](http://www.michigan.gov/mde/0,4615,7-140-6530_30334_40088-256117--,00.html)

## Special Education Enrollment

The changes in Detroit public school enrollment have affected the enrollment composition in nearly all the schools that educate Detroit children. These compositional changes are most apparent in the number and share of special education students attending certain schools, most notably DPS. Because of key differences in the delivery and funding of special education services, the mix of general education and special education students directly affects district finances in important ways.<sup>10</sup>

All public schools in Michigan (traditional districts and charter schools) are prohibited from denying enrollment to a child because of a disability. Furthermore, schools must provide the required services to the special education students they enroll. A complex web of state and federal laws govern the delivery of services to children with disabilities.<sup>11</sup>

For the current school year, nearly one out of every five DPS students (18 percent) has an Individualized Education Program (IEP), qualifying him or her to receive some amount of special education services.<sup>12</sup>

As is common in other districts, DPS students are educated and receive services in the least restrictive environment; some spend only a portion of their school day in a designated special education classroom, while others are fully integrated into the general education setting. Some special education students attend “center-based” programs that are completely outside the general education classroom.

Although the DPS special education population has been trending down along with the district’s total enrollment, students with special needs have been leaving DPS at a slower pace than general education students. As a result, the percentage of school children with a disability has steadily risen since the early 2000s; from roughly 13 percent in 2002-03 to about 18 percent today.

Students with disabilities are less likely than students without disabilities to leave DPS for alternative education providers in the Detroit market. As noted above, charter schools and other traditional districts serve about 46 percent and 8 percent of Detroit school children, respectively. However, the distribution of Detroit students served by these alternatives is weighted toward the general education population (**Table 2**). As a result, DPS’s share of the Detroit special education student market is 54 percent, and just 38 percent for students without disabilities. Public school choice decisions in Detroit explain DPS’s growth in special education enrollment.

Compared to the statewide average, DPS enrolls proportionately more children with disabilities.

**Table 2**

2015-16 Detroit Resident Public School Student Enrollment by Type of District

	Students w/o Disabilities		Students with Disabilities	
	Students	Share	Students	Share
Charter Schools	46,219	48%	4,834	38%
Other Traditional Districts	8,668	9%	432	3%
EAA	4,580	5%	598	5%
Detroit Public Schools	<u>36,938</u>	38%	<u>6,842</u>	54%
<i>Total</i>	<i>96,405</i>		<i>12,706</i>	

Source: Center for Educational Performance and Information

<sup>10</sup> For a detailed discussion of special education finances, see Citizens Research Council of Michigan, *Financing Special Education: Analyses and Challenges*, Report 378, January 2012. <http://crcmich.org/PUBLICAT/2010s/2012/rpt378.pdf>

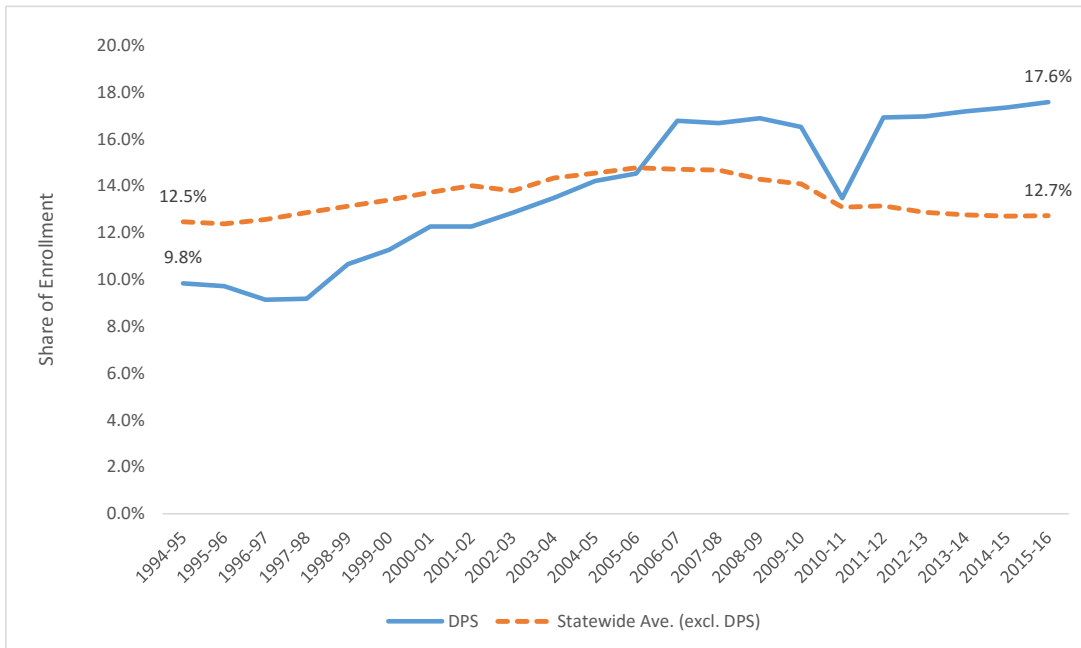
<sup>11</sup> There are 13 categories of special education as defined by the federal special education law, Individuals with Disabilities Education Act (IDEA). Generally, the more involved disabilities include moderate to severe cognitive impairment, visual

impairment, physical impairment, and traumatic brain injury. Less involved disabilities include learning disability and speech/language impairment.

<sup>12</sup> An IEP is a prerequisite to receive special education and related services and is mandated under IDEA. An IEP is a student-specific, unique document designed to meet the educational needs of each child that has a disability.

Chart 2

Special Education as Percent of Total Enrollment, Detroit Public Schools and Statewide Average



Source: Center for Educational Performance and Information

Special education students account for 12.7 percent of Michigan’s (excluding DPS) total public school enrollment in 2015-16, compared to 18.2 percent for DPS. Relative to total enrollment, DPS’s special education population is almost one-third larger than the statewide average.<sup>13</sup> While DPS’s special education share has been trending up over the 10-plus years, the opposite has been occurring statewide. The statewide (excluding DPS) average has declined from 14.8 percent in 2005-06 to 12.7 percent today. Prior to 2005-06, DPS’s special education enrollment percentage was consistently below the statewide average (**Chart 2**).

In terms of special education enrollment, DPS is an outlier when compared to similar central city districts

across the state (**Table 3**) and its neighboring districts in southeast Michigan (**Table 4**).

Comparing the DPS special education population to that of surrounding districts reveals notable differences. On a full-time equivalent (FTE) basis, 8.8 percent of DPS students had an IEP in 2012-13, compared to just 3.4 percent for all other districts in the Wayne Regional Educational Services Area (RESA) (**Table 4**).<sup>14</sup> DPS’s special education enrollment is more than twice the size (relative to total enrollment) of the total special education population in all surrounding traditional districts combined. For both general and special education funding purposes, the FTE count is used instead of headcount.<sup>15</sup>

<sup>13</sup> Generally, traditional public districts enroll more children with disabilities as a share of their total enrollment than charter schools. While individual district experiences vary within both sectors, for the 2014-15 school year, 13.5 percent of all students enrolled in traditional districts had an IEP compared to 9.5 percent in the charter school sector. The percentage of disabled students enrolled in charter schools has nearly doubled since 2000-01 when

these students accounted for 5.4 percent of the total statewide charter school enrollment. In contrast, the percentage of special education students enrolled in all traditional districts has remained about 13 percent of the total student population since 2000-01.

<sup>14</sup> Wayne RESA consisted of 31 traditional public districts and 101 charter schools.



Students with disabilities are required, by law, to be served in the least restrictive educational environment. This means that many special education students spend a good portion of their school day in a general education classroom in the public school they attend. If a student requires assistance, specialized resources or staff are provided to accommodate their presence in the general education setting. For a small portion of the special education population, however, the severity of their

disability requires them to spend the vast majority, if not all, of the school day in a designated special education classroom. This is because the amount and type of services are more involved and provided by specialists. In Wayne County, many of these classrooms are situated in “center-based” programs coordinated by Wayne RESA and located throughout the county. The special education programs are operated by local districts and charter schools.

Another difference in DPS’s special education population is that roughly one-half of the disabled students (2,269 FTE of 4,499 FTE) attend one of the six center-based programs operated by the district. For all other districts and charter schools in Wayne RESA, 44 percent of the disabled student body attend center-based programs located across the ISD.

**Table 3**  
Special Education Enrollment as Share of Total Enrollment in Central City Districts, 2005-06 and 2015-16

School District	Special Education Enrollment		Percentage
	2005-06	2015-16	Point Change
Pontiac City School District	17.7%	18.9%	1.2
<b>Detroit Public Schools</b>	<b>14.5%</b>	<b>17.6%</b>	<b>3.1</b>
Lansing Public School District	20.0%	17.2%	(2.8)
Flint School District	13.6 %	16.7%	3.1
Grand Rapids Public Schools	27.3%	15.1%	(12.2)
Saginaw School District	22.1%	13.5%	(8.6)
Jackson Public Schools	18.9%	12.6%	(6.3)
Kalamazoo Public Schools	14.3%	12.6%	(1.7)
<i>Note:</i>			
<i>All Districts Statewide (no DPS)</i>	<i>14.8%</i>	<i>12.7%</i>	<i>(2.1)</i>

Source: Center for Educational Performance and Information

**Table 4**  
Total Enrollment and Special Education Enrollment in Wayne RESA (FTE basis), 2012-13

	Number of Districts	Total Enrollment (FTE)	Special Education Enrollment (FTE)	Special Education Share
Detroit Public Schools	1	51,318	4,499	8.8%
<i>Balance of Wayne RESA</i>				
<i>Traditional Public Districts (no DPS)</i>	<i>31</i>	<i>164,665</i>	<i>7,054</i>	<i>4.3%</i>
<i>Charter Schools</i>	<i>101</i>	<i>63,123</i>	<i>596</i>	<i>1.0%</i>
All Other Wayne RESA Education Providers	132	227,789	7,651	3.4%

Source: Wayne RESA

<sup>15</sup> This data is presented on a full-time equivalent (FTE) basis, which differs from the head count data used earlier in **Table 3**. A student with an IEP is counted as 1.0 in the special education head count data. The FTE count is based on a student’s full-time assignment and may be divided between special education and general education. A single student cannot be counted as

more than 1.0 FTE, but because most students with IEPs are integrated into the school environment and spend some time in a general education classroom they are only partially counted as a special education student in the FTE count. The remainder is counted in the general education FTE count.

### Special Education Finances

An IEP is a contract between a school district (or charter school) and a student's family detailing the services that the student is entitled to receive from the district. These services can be delivered through a combination of sources: directly by the district, directly by an intermediate school district (ISD), and by a private provider on contract with either a district or ISD. Regardless of the provider, a student is not responsible for paying for services; both federal and state law require that children with disabilities receive a "free and appropriate education." Districts enrolling children with disabilities, therefore, are mandated by law to pay for services, often without regard to the cost of such services. Neither state law nor federal law provide such a guarantee for general education services.

Financing special education is a complex endeavor. Funding comes from four general sources; 1) dedicated state appropriations, 2) dedicated local property taxes, 3) federal funds, and 4) district general funds, which primarily come from the per-pupil foundation grant received from the state. Under Michigan's model, district general funds serve as the "funder of last resort." This means after all dedicated funding is exhausted, general fund dollars must be used to fulfill the financing responsibilities for approved costs.

Special education funding is governed by the Michigan Supreme Court's 1997 *Durant* decision, which established a minimum reimbursement rate for special education services. Pursuant to its determination that special education was a newly mandated service and subject to the funding requirements of Article IX, Section 29 of the 1963 Michigan Constitution, the court established that the state government is responsible for just under 29 percent of the approved special education costs and 70 percent of approved transportation costs.<sup>16</sup>

<sup>16</sup> The *Durant v State Board of Education*, 424 Mich. 364; 381 NW2d 662 (1985) ruling established a minimum funding floor that the state is required to meet. This was determined based on the amount of special education costs that the state covered in 1978, when the Headlee Amendment to the Michigan Constitution was adopted. The Amendment prohibits unfunded state mandates and prohibits state government from reducing support for a mandated service.

As a result of *Durant*, Michigan's financing system is premised on a cost reimbursement model.<sup>17</sup>

Unlike general education funding, local communities still have access to the property tax to generate operational funds for special education services. Proposal A of 1994 shifted revenue-raising responsibility for general school operations from local property taxes to state level taxes, but it did little to impact special education financing and its reliance on the property tax.<sup>18</sup> As a result, local property taxes continue to be levied at the ISD level and account for about 30 percent of special education revenues statewide. Because of variations across Michigan's 57 ISDs (e.g., millage rates and taxable values), in some communities the property tax may play a larger role in the overall funding picture.

In 2015, Wayne RESA's special education tax was 3.4 mills. Per Wayne's special education plan, the entire tax is allocated to cover the reimbursable costs for center-based programs delivered by local districts and charter schools to students with moderate to severe disabilities. These programs served about 6,200 students in 2015. About 2,300 of these students were enrolled in DPS and received services from the district's center-based programs.

Federal funds play a smaller role than state and local funds, covering about 22 percent of special education spending statewide. While federal law allows for a much larger role for the federal government, its actual contribution is only about one-half of what is statutorily allowed. The federal reimbursement limit is capped at 40 percent of average per-pupil expenditures, but the amount of funding made available each year is subject to federal appropriations. Congress has never provided sufficient funding to hit the maximum.<sup>19</sup>

<sup>17</sup> State special education funding systems generally fall into four types: 1) per pupil with funding weights for different disability classifications, 2) reimbursement for approved costs, 3) instructional units (e.g., focus on funding teachers, classrooms, etc. rather than students), and 4) census-based reimbursement (e.g., funding independent of districts' special education population, based instead on measure of total enrollment (special and general education).

<sup>18</sup> As part of the Proposal A reforms, state law imposed a cap on the ISD special education millage rate. The rate cap is set at 1.75 times the number of special education mills an ISD

Mainly because of the importance of the local property tax in the overall financing picture, large differentials are found in per-pupil special education spending across Michigan districts. Both tax effort (property tax rate) and tax base (property values) contribute to the significant differences in per-pupil property tax revenue generated (and spending).<sup>20</sup> Furthermore, spending variations are accentuated by the patchwork funding model and federal maintenance of effort requirements.<sup>21</sup>

### The General Fund Subsidy

Michigan’s 57 ISDs have the primary responsibility for coordinating special education services and finances for their constituent districts (both traditional and charter schools).<sup>22</sup> While each ISD’s plan for carrying out this responsibility differs in terms of the delivery and funding of different programs, the bottom line is that all of them follow the cost reimbursement model established through the *Durant* decision. As noted above, this model requires both school districts and

charter schools to utilize general fund revenues as a “funder of last resort” for special education services.

The corollary of Michigan’s special education financing setup is that for each general fund dollar directed to special education spending, there is one less dollar available within the general education setting. The Citizens Research Council estimated that general fund resources contributed about 25 percent to total special education spending in 2006-07 across all districts.<sup>23</sup> The amount of the general fund subsidy can vary from district to district and can be substantial.

The general fund subsidy in Detroit Public Schools is significant. The district contributed \$45 million in general fund resources to support its special education spending in 2012-13 (see **Table 5**). This equates to a subsidy of \$970 per general education student that would have been available for general education purposes but instead was redirected to meet special education costs.

**Table 5**  
General Fund Subsidization of Special Education Spending in Wayne RESA, 2012-13

	General Education Students (FTE)	Total Special Ed. Costs* (millions)	Total State Aid* (millions)	Unreimbursed Costs (millions)	Per-Pupil Subsidy
<i>Detroit Public Schools</i>	46,819	\$71.1	\$25.7	\$45.4	\$970
<i>Balance of Wayne RESA</i>					
<i>Traditional Public Districts</i>	157,611	188.5	67.1	121.3	770
<i>Charter Schools</i>	62,527	25.1	7.6	17.6	281
Subtotal-Balance of Wayne RESA	220,138	213.6	74.7	138.9	631

\* Excludes “center-based” program costs and related revenue. These costs are covered by the dedicated special education property tax levied by Wayne RESA.

Source: Wayne RESA

<sup>19</sup> When the U.S. Congress passed IDEA in 1975, it committed to funding up to 40 percent of the Average Per-Pupil Expenditure in public elementary and secondary education for every disabled student, an amount known as “full funding”. To date, federal appropriations have not reached this amount in any year.

<sup>20</sup> See CRC *Financing Special Education: Analyses and Challenges*. The per-pupil property tax yield difference, at the extremes, was nearly \$7,500 in 2010.

<sup>21</sup> A key requirement under IDEA is that states and local schools must meet maintenance of effort (MOE) with respect to non-federal funding. Generally speaking, MOE stipulates that federal grant recipients must demonstrate that the level of state and

local funding remains relatively unchanged from year to year, regardless of the documented needs or service levels. This can contribute to spending variations across districts if aggregate funding levels are effectively fixed.

<sup>22</sup> State law and rules charge Michigan’s 57 ISDs to coordinate, develop, establish, and continually evaluate a “Plan for the Delivery of Special Education Programs and Services” that is approved by the Superintendent of Public Instruction.

<sup>23</sup> See Citizens Research Council of Michigan, *Financing Special Education: Analyses and Challenges*, Report 378, January 2012. <http://crcmich.org/PUBLICAT/2010s/2012/rpt378.pdf>

DPS's per-pupil general fund subsidy (\$970 per pupil) was 53 percent larger than the average subsidy (\$631 per pupil) of all the other traditional public school districts and charter schools in the Wayne RESA district. This difference was directly caused by DPS's large special education enrollment as a percent of its student body, relative to surrounding districts. The fact that other districts face the same challenge (i.e., inadequate special education funding) suggests that DPS is burdened by two challenges; 1) the general structure and operation of the special

education financing system, and 2) its large special education population. For DPS, the combination of these two challenges is exacerbated by the fact that its overall enrollment has been falling precipitously over the last 10 years. This enrollment decline has resulted in fewer general fund dollars and a greater share of these resources having to go towards meeting special education spending mandates.

### Conclusion

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More so than any other community in Michigan, public education in the City of Detroit has been transformed by the massive population exodus that began in the late 1950s and continues through modern day. But an equally important factor contributing to the downsizing has been the availability and participation in public school choice by Detroit residents. Over the past 25 years, school choice has created a public school market characterized by a growing number of providers, both inside and outside the city, competing for a shrinking Detroit public school student population. Given this setting, the arithmetic is inescapable; Detroit Public School enrollment has experienced massive and sustained declines since the early 1990s.

Looking forward, DPS is expected to continue to lose students based on general population estimates for the city. The city's nascent economic recovery may stymie some of the population exodus of the past to provide some stability, but this recovery will have little effect on public school choice forces shaping DPS

enrollment. As students continue to avail themselves of alternative providers, inside and outside the city, DPS's market share is likely to slip further from its current 40 percent.

General education students are the ones leaving DPS for other public school districts. With fewer special education students leaving DPS, the result is the district serves more special education students than the statewide average or the county average.

The state's system for financing special educations does not guarantee that the full costs of the required services are covered by dedicated revenue sources. As a result, district general fund resources serve as the "funder of last resort." This leaves fewer general fund dollars to fund non-special education students. For DPS with its large special education population, the use of general fund dollars hampers the ability of district to provide quality education to non-special education students.

Appendix

Detroit Resident Public School Student Enrollment by Type of District, 2009-10 to 2015-16

<b>Total Enrollment</b>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Detroit Public Schools	86,809	76,388	69,010	48,976	48,183	46,149	45,135
EAA				8,783	6,569	6,866	5,178
Other Traditional Districts	12,884	11,854	10,447	9,863	9,125	9,592	9,111
Charter Schools	44,723	44,923	47,852	51,083	52,694	52,425	51,206
<b>Detroit Resident Students</b>	<b>144,416</b>	<b>133,165</b>	<b>127,309</b>	<b>118,705</b>	<b>116,571</b>	<b>115,032</b>	<b>110,630</b>
<b>"Market Share"</b>							
Detroit Public Schools	60.1%	57.4%	54.2%	41.3%	41.3%	40.1%	40.8%
EAA				7.4%	5.6%	6.0%	4.7%
Other Traditional Districts	8.9%	8.9%	8.2%	8.3%	7.8%	8.3%	8.2%
Charter Schools	31.0%	33.7%	37.6%	43.0%	45.2%	45.6%	46.3%