

MAY 15 DURANT-RELATED DEBT SERVICE PAYMENT

The State School Aid Act, as amended by Public Act 142 of 1997, provided appropriations as part of a settlement to school districts involved in the *Durant* litigation as well as school districts not involved in the litigation (referred to as Non-*Durant* school districts). The act provided for most of the Non-*Durant* school districts to receive half of their *Durant* related settlement amount in ten annual cash payments (paid November 15, 1998 through November 15, 2007), and the other half in fifteen annual payments (beginning May 15, 1999 through May 15, 2013). The May payments could be pledged for a bonding option and approximately 450 school districts chose to do so. The Michigan Municipal Bond Authority (MMBA) issued bonds for the Non-*Durant* school districts that elected to receive a lump sum amount from the MMBA rather than the fifteen annual payments. These districts have received a separate status report each year that a debt service payment was made to the trustee, dated May 15, that shows the amount of the debt service paid on their behalf to the bond trustee. Six districts elected not to use the bonding option and are receiving the 15 annual payments. As part of the Executive Budget Recommendation for FY 2004, the bonds were “refunded.” To accomplish that, the debt service payment schedules for the districts that chose to bond were changed. However, the refunding did not change the total payments for any of the borrowers. Revised payment schedules were sent to each of the school districts on March 24, 2003. The revised payment schedules show that there was to be no debt service payment for May 15, 2003, May 15, 2004 and May 15, 2005. The debt service payments resumed this year (May 2006). **The May 15, 2006 State School Aid Financial Status Reports for the districts that chose the bonding option as well as the six districts that chose to receive the 15 payments are on the Department’s website.** No action is required by the participating school districts to effectuate the debt service payments; all payments continue to be made by state appropriations for this purpose. The six districts that chose to receive the fifteen annual installments received a May 15, 2005 payment. This **does not affect the November 15** payments which will continue to be made each year through 2007. Guidance related to accounting for the debt service is available on the Department’s website at www.michigan.gov/documents/durantsd_13866_7.htm. Questions related to the debt service schedules should be directed to the MMBA, (517) 373-1728 or treasmmba@michigan.gov.

MAY REVENUE ESTIMATING CONFERENCE

Leaders from the House and Senate Fiscal Agencies and the State Treasurer will meet for the May Revenue Estimating Conference on May 17, 2006. The purpose of the conference is to reach a consensus on the current fiscal year revenues and the projected revenues for fiscal year 2006-2007. Information on the results of that conference will be in the June UPDATE. For more timely information regarding the revenue estimating conference check the House Fiscal Agency website (www.Michigan.gov/HFA) following the conference.

TAX TRIBUNAL JUDGMENTS RELATED TO PUBLIC UTILITY COMPANIES

The Michigan Tax tribunal (MTT) has recently handed down consent judgments regarding long standing disputes between a number of utility companies and the municipalities in which they operate pertaining to the depreciation of personal property. These judgments will result in significant reductions in taxable value over a number of tax years. Many stipulations to these consent judgments reduce taxable values and require school districts and other taxing entities to repay the utility companies according to a number of different delayed schedules. It is important for districts that receive bills based on these judgments to obtain a copy of the stipulation schedule. In many cases, the stipulation schedule states that the refund is due and payable on December 1 of either 2006, 2007, 2008, 2009, or 2010. This is the schedule that controls when the tax refunds and the corresponding state school aid adjustments are to be made, regardless of any other language in the judgment. County treasurers have been asked to make the taxable value changes to the Department’s website in the first week of November prior to the December that the refund is due. That should allow the Department to process the state school aid adjustment in the November payment prior to the December due date. Some of these utility personal property cases (especially those pertaining to companies other than Consumers Energy and DTE Energy) have no special schedule and require immediate refunds. In these cases, the county treasurer should revise the taxable valuation on the Department’s website immediately. Questions related to this matter should be directed to Phil Boone, Office of State Aid and School Finance, (517) 335-4059 or BooneP2@Michigan.gov.

SECTION 31A AT-RISK PROGRAM REPORTS DUE JULY 14, 2006

Local districts and public school academies receiving fiscal year 2005-2006 funds under Section 31a At-Risk are required to submit the year 2005-2006 Section 31a Program Report to the Department by July 14, 2006. The report form is available in the Michigan Electronic Grants System (MEGS) at <http://megs.mde.state.mi.us/megs/>. If the report is not submitted by July 14, an amount equal to the district's Section 31a August installment will be withheld from the August state aid payment as required by the language in Section 31a of the State School Aid Act. These funds will be forfeited if the report is not received by September 30, 2006. Contact Judy Thelen, Office of School Improvement, Field Services Unit, at (517) 335-1266 or ThelenJA@Michigan.gov.

STATE SCHOOL AID DATA UPDATED FOR MAY

The May state school aid payment is the 8th payment of the year and reflects 72.72% of the year's allocation for Sections 22a, 51c, and 22b as well as for most categoricals. Prior year adjustments are made at 100% in a single payment. The payment will post at the districts' banks on Friday, May 19, 2006.

Updated categoricals for the May payment include:

- **Michigan School Readiness grants** - Section 32d (Connie Robinson, Early Childhood Education and Family Services, (517) 241-4291, RobinsonConnie@Michigan.gov).
- **Vocational Education Administration** - Section 61a(2) (Joanne Mahony, Department of Labor and Economic Growth, (517) 335-0405, MahonyJ@Michigan.gov).

FISCAL YEAR 2004-2005 ISD ITINERANT COST ADJUSTMENT

Fiscal year 2004-2005 "itinerant" cost adjustments appear on the May 2006 State School Aid Financial Status Reports of eligible intermediate school districts under the section labeled "Prior Year Adjustments" on the line labeled "SE Itinerant." The school aid amendments for fiscal year 2004-2005 include language in Section 51a(7)(c) that says if the Department determined before book closing for 2004-2005 that the amounts allocated under Section 51a for fiscal year 2004-2005 exceed expenditures under Section 51a, then for fiscal year 2004-2005 only, the Department could use the excess funds to pay a district or intermediate district for certain costs that would otherwise be ineligible for reimbursement. These costs have been referred to as itinerant costs and represent costs that were incurred by an intermediate district in FY 2004-2005 which were similarly incurred by another district in fiscal year 2003-2004. In other words, these represent program functions/related costs that were transferred to the intermediate district from a local district between fiscal year 2003-2004 and fiscal year 2004-2005. At fiscal year end 2004-2005 book closing, the Department determined that there remained approximately \$675,000 in Section 51a funds. The language in Section 51a(7)(c) further states that the itinerant cost reimbursement under that Section shall be prorated if the excess funds are insufficient to fully fund the reimbursement. The itinerant costs reported to the Department were approximately \$16 million. The exact proration factor is .042171. Questions related to the itinerant costs used in the calculation should be directed to Dianne Easterling, Special Education and Early Intervention Services, (517)241-4517 or EasterlingD@Michigan.gov. Questions related to the calculation of the adjustment should be directed to Dan Hanrahan, Office of State Aid and School Finance, (517) 335-0521 or HanrahanD@Michigan.gov.

GENERAL INFORMATION

- The **DS-4168B, Planned Number of Days and Clock Hours of Pupil Instruction** was due **April 15, 2006**. The form is available on line at www.michigan.gov/mde. Select "keywords" along the top of the screen and then "State Aid Forms." Contact Joellen Wonsey (517) 373-3352, WonseyJ@Michigan.gov with questions.
- The **Section 107 Adult Education** allowances are based on the lesser of the district's capped allowance or the reported adult education participant count multiplied by \$2,850. Contact Joellen Wonsey (517) 373-3352, WonseyJ@Michigan.gov with questions.
- **Proration factors:** Section 31a - At Risk funding per pupil proration is \$173.3882878984. There is no proration of Section 62 - Vocational Ed Millage Equalization or Section 56 - Special Ed Millage Equalization.

*Do you have questions about the information appearing in this UPDATE? Call the consultants identified above or **Dan Hanrahan, Director, State Aid & School Finance, MDE**, phone: (517) 335-0521, fax: (517) 241-0196, e-mail: HanrahanD@Michigan.gov.