



STATE OF MICHIGAN  
DEPARTMENT OF EDUCATION  
LANSING

RICK SNYDER  
GOVERNOR

MICHAEL P. FLANAGAN  
STATE SUPERINTENDENT

August 29, 2013

**MEMORANDUM**

TO: Intermediate School District Superintendents

FROM: Carol Wolenberg, Deputy Superintendent, Administrative & Support Services  
Venessa Keesler, Deputy Superintendent, Education Services

SUBJECT: Guidance on 2013-14 ISD Best Practices Incentive, Section 81(7)

On June 13, 2013 the Governor enacted legislation under Section 81 of the State School Aid Act, 2013 PA 60, that appropriates \$2,000,000 to provide an additional 3.2% of the district's Section 81(2) allocation for the FY 2013-14 school year to intermediate school districts (ISDs) meeting five out of six of the following best practices:

- Enters into an agreement with the Michigan Department of Education (MDE) to develop, implement, and report on a service consolidation plan;
- Obtains competitive bids for the provision of 2013-14 non-instructional services;
- Develops a Technology Plan in accordance with MDE policy on behalf of all constituent districts within the ISD that integrates technology into the classroom and prepares teachers to use digital technologies as part of the instructional program of each of its constituent districts;
- Provides a link on the district's home page to the URL under the Budget Transparency Icon that provides the required data elements consistent with the legislation;
- Works in consortium with 1 or more other ISDs to develop information management system requirements and bid specifications that can be used as statewide models;
- Holds the policy on medical benefit plans (if directly employed by district, or not excluded by a voluntary employee beneficiary association).

To simplify the process, MDE has developed the attached guidance on best practices as defined in MCL 388.1681. Each ISD wishing to apply for the funds under this section must submit an intermediate school board of education resolution to MDE that certifies the ISD's compliance with the required best practices. The funds will be distributed pursuant to the payment schedule in Section 17b of the State School Aid Act as MDE determines that the ISD has met the best practice requirements.

If you have questions related to the guidance, please contact Glenda Rader at [raderg@michigan.gov](mailto:raderg@michigan.gov).

cc: Michigan Education Alliance

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**Michigan Department of Education (MDE)**  
**Guidance on ISD Best Practices as Defined in MCL 388.1681(7)**  
August 29, 2013

## **Statutory Requirements**

### **388.1681(7) ISD Best Practices Incentive Grants**

(7) From the allocation in subsection (1), there is allocated an amount not to exceed \$2,000,000.00 for 2013-2014 for an incentive payment to each intermediate district that meets best practices as determined by the department under this subsection. The amount of the incentive payment is an amount equal to 3.2% of the amount allocated to the intermediate district under subsection (2). An intermediate district is eligible for an incentive payment under this subsection if the intermediate district satisfies at least 5 of the following requirements not later than June 1, 2014:

- (a) The intermediate district enters into an agreement with the department to comply with all of the following:
  - (i) If the intermediate district developed a service consolidation plan in 2012-2013, implement the service consolidation plan in 2013-2014 and report to the department not later than February 1, 2014 on the intermediate district's progress in implementing the service consolidation plan.
  - (ii) If the intermediate district did not develop a service consolidation plan in 2012-2013, develop a service consolidation plan in 2013-2014 to reduce operating costs that is in compliance with guidelines that were developed by the department for former section 11d as that section was in effect for 2010-2011.
  - (iii) If the intermediate district developed a service consolidation plan in 2013-2014, implement the service consolidation plan in 2014-2015 and report to the department not later than February 1, 2015 on the intermediate district's progress in implementing the service consolidation plan.
  - (iv) Make the intermediate district's service consolidation plan publicly available on the intermediate district's website.
- (b) The intermediate district has obtained competitive bids on the provision of 1 or more non-instructional services for the intermediate district or its constituent districts with a value of at least \$50,000.00. The unfunded accrued liability costs for retirement and other benefits shall be excluded from the intermediate district's current costs for the purpose of comparing competitive bids to the current costs of providing services.
- (c) The intermediate district develops a technology plan in accordance with department policy on behalf of all constituent districts within the intermediate district that integrates technology into the classroom and prepares teachers to use digital technologies as part of the instructional program of each of its constituent districts. An intermediate district that developed a technology plan in 2012-2013 shall begin implementing that technology plan in 2013-2014.
- (d) The intermediate district provides to parents and community members a dashboard or report card demonstrating the intermediate district's efforts to manage its finances responsibly. The dashboard or report card shall include revenue and expenditure projections for the intermediate district for 2013-2014 and 2014-2015, a listing of all debt service obligations, detailed by project, including anticipated 2013-2014 payment for each project, a listing of total outstanding debt, and at least all of the following for the 3 most recent school years for which the data are available:
  - (i) A list of services offered by the intermediate district that are shared by other local or intermediate districts and a list of the districts or intermediate districts that participate.
  - (ii) The total cost savings to local or other intermediate districts that share services with the intermediate district.
  - (iii) The number and percentage of teachers in the intermediate district service area that are trained to integrate technology into the classroom.
  - (iv) The total funds received from levying special education and vocational education millages, and the number of special education and vocational education pupils served with those dollars.
  - (v) The number and percentage of individualized education programs developed for special education pupils that contain academic goals.

(e) The intermediate district works in a consortium with 1 or more other intermediate districts and the center to develop local information management system requirements and bid specifications that result in a recommended model information system that supports interoperability to ensure linkage and connectivity in a manner that facilitates the efficient exchange of data among districts, intermediate districts, and the center. At a minimum, these specifications shall include pupil management systems for both general and special education, learning management tools, and business services.

(f) If an intermediate district provides medical, pharmacy, dental, vision, disability, long-term care, or any other type of benefit that would constitute a health care services benefit, to employees and their dependents, the intermediate district is the policyholder for each of its insurance policies that covers 1 or more of these benefits. An intermediate district that does not directly employ its staff or an intermediate district with a voluntary employee beneficiary association that pays no more than the maximum per employee contribution amount and that contributes no more than the maximum employer contribution percentage of total annual costs for the medical benefit plans as described in sections 3 and 4 of the publicly funded health insurance contribution act, 2011 PA 152, MCL 15.563 and 15.564, is considered to have satisfied this requirement.

## **MDE Guidance**

### **Overview**

This guidance is intended to provide an intermediate school district with the process it must follow and the requirements it must meet in order to be eligible to receive funds under Section 81(7) of the State School Aid Act.

To be eligible to receive the 81(7) funds, an intermediate district is required to provide evidence that it met five of the six best practice requirements listed in 2013 PA 60. Each ISD wishing to apply for funds under this section will submit a copy of the board resolution detailing the district's compliance with the required best practices to MDE. Attached is a copy of an acceptable board resolution (Attachment A).

**To meet Requirement A** –The intermediate school board must certify that it is developing/has developed a Service Consolidation Plan (SCP). The plan must be consistent with the MDE guidelines posted on the MDE website at:  
[http://www.michigan.gov/documents/mde/Service\\_Consolidation\\_Guidelines\\_338246\\_7.pdf](http://www.michigan.gov/documents/mde/Service_Consolidation_Guidelines_338246_7.pdf)

Intermediate districts wishing to meet this requirement must also agree to submit to MDE a report containing the following information:

- a list and brief narrative summary of the services offered by the intermediate district that are shared by other local or intermediate districts,
- a list of the districts or intermediate districts involved in each shared service,
- the projected total cost savings to local or other intermediate districts that share services with the intermediate,
- a brief summary of the successes and challenges experienced while implementing the service consolidation plan.

Attachment B includes the format for the required service consolidation status report. The report is due to MDE by February 1 of the school year in which the plan is implemented. If the plan is developed in 2013-2014 and implemented 2014-2015, the report is due February 1, 2015. If the plan was developed in 2012-2013 and is implemented in 2013-2014, the report is due February 1, 2014. In order to meet Best Practice Requirement "D" the district must also publish this report on the district's website.

**To meet Requirement B** – The intermediate school board must certify that it has obtained a competitive bid on the provision of pupil transportation, food service, custodial, or one or more other non-instructional services with a value of at least \$50,000. MDE will consider a district to

have met this requirement if it has either a single or multi year proposal or contract for the provision of any fiscal year 2013-14 non-instructional function (Pupil Support, Instructional Staff Support, General Adm., Business Services, Operations and Maintenance, Transportation, Staff/Personnel Services, Non-Instructional Technology, or Food Services.) To qualify as a "provision of service," the bid should be for purchased services as defined in the *Michigan Public School Accounting Manual* under object codes 31xx - 49xx.

**To meet Requirement C** –The intermediate school board must certify that it has developed a technology plan in accordance with department policy on behalf of all constituent districts within the intermediate district that integrates technology into the classroom and prepares teachers to use digital technologies as part of the instructional program of each of its constituent districts. As in the past, the technology plans are to be submitted using the Michigan Electronic Grants System (MEGS+) using the guidelines already in place within that system. If a plan was developed in 2012-2013, implementation must begin during the 2013-2014 fiscal year in order to meet this requirement.

**To meet Requirement D** – The intermediate school board must certify that it has posted on its website under the Budget and Transparency Icon the following items:

- revenue and expenditure projections for 2013-2014 & 2014-2015
- a list of debt service obligations detailed by project including anticipated payments for 2013-2014
- a listing of total outstanding debt

Also the following items for the 3 most recent school years for which the data are available:

- the Service Consolidation Plan Report submitted to MDE to meet Requirement A above, AND;
- The number and percentage of teachers in the intermediate district service area that are trained to integrate technology into the classroom.
- The total funds received from levying special education and vocational education millages, and the number of special education and vocational education pupils served with those dollars.
- The number and percentage of individualized education programs developed for special education pupils that contain academic goals.

**NOTE: A change from last year is the requirement to report projections of 2013-14 and 2014-15 Revenue and Expenditure Projections. Districts must also report outstanding debt information.** To meet this requirement, districts will report the information on the district's Budget Transparency Page. The [MDE Budget and Salary/Compensation Transparency Reporting Guidelines](#) provide the reporting requirements for these data elements.

**To meet Requirement E** – The intermediate school board must certify that it works in consortium with 1 or more other intermediate districts to develop information management system requirements and bid specifications that can be used as statewide models. At a minimum, these specifications shall address pupil management systems for both general and special education, learning management tools, and business services.

**To meet Requirement F** – The intermediate school board must certify that it is the policy holder on all of the health care benefit policies it covers on behalf of employees. An example of evidence for this would be each district insurance policy or employer participation agreement showing that it is the designated policy holder. An intermediate district that does not directly employ its staff, or a district with a voluntary employee beneficiary association that pays no more than the maximum per employee contribution amount and that contributes no more than the maximum employer contribution percentage of total annual costs for the medical benefit plans as described in sections 3 and 4 of the publicly funded health insurance contribution act, 2011 PA 152, MCL 15.563 and 15.564, is considered to have satisfied this requirement.

## Submission Dates

While there is no specific date by which an intermediate district must submit its intermediate school board resolution, state aid payments with the additional 3.2% of Section 81(7) Best Practice funds may be distributed beginning as early as the October 2013 payment. MDE must be in receipt of the district's board resolution **by June 1, 2014** to be eligible for these funds. This allows MDE to include the appropriate allocation in the June 2014 State Aid payment.

Once MDE has received the intermediate school board resolution and confirmed that an intermediate district has met five out of six eligibility requirements, the additional 3.2% of Section 81(2) will be paid out in accordance with MCL 388.1617b. A copy of the signed board resolution is to be sent to John A. Hayner in the State Aid and School Finance Office. The email address is: [Haynerj1@Michigan.gov](mailto:Haynerj1@Michigan.gov) or by mail at: John Hayner, Michigan Department of Education, State Aid and School Finance, PO Box 30008, Lansing, Michigan 48909.

MDE reserves the right to monitor districts for compliance with each of these requirements and may request additional information to verify eligibility.

Questions related to the MDE Best Practice Guidance may be addressed to Glenda Rader at [raderg@michigan.gov](mailto:raderg@michigan.gov).

**Best Practices Incentive**  
School Board Resolution

WHEREAS, Section 81(7) of the State School Aid Act provides an amount equal to 3.2% of an Intermediate School District's Section 81(2) allocation to districts that satisfy at least 5 of 6 best practices criteria not later than June 1, 2014 [MCL 388.1681(7)].

WHEREAS, the board of education of \_\_\_\_\_ (NAME OF INTERMEDIATE SCHOOL DISTRICT) desires to receive the Best Practices incentive payment.

WHEREAS, the \_\_\_\_\_ (NAME OF INTERMEDIATE SCHOOL DISTRICT) has satisfied at least 5 of 6 best practices criteria.

WHEREAS, eligibility for the incentive payment is contingent upon adopting a resolution that states the district has complied with the following 5 of 6 best practices criteria.

Now, therefore, be it resolved as follows:

1. The board of education of \_\_\_\_\_ (NAME OF INTERMEDIATE SCHOOL DISTRICT) certifies that the district has complied with the following requirements: [LIST only the Best Practices requirements the district has met to make it eligible to receive the Section 81(7) funds]
  - The intermediate school board certifies that it will/has develop/developed a service consolidation plan in 2013-2014 to reduce operating costs that is in compliance with guidelines that were developed by the Michigan Department of Education (MDE) for former section 11d as that section was in effect for 2010-2011 and implement the service consolidation plan by 2013-2014 and report to MDE not later than February 1, 2014 on the intermediate district's progress in implementing the service consolidation plan.
  - The intermediate school board certifies that it has obtained competitive bids on the provision of pupil transportation, food service, custodial, or one or more other non-instructional services with a value of at least \$50,000 for fiscal year 2013-14.
  - The intermediate school board certifies that it has developed a technology plan in accordance with MDE policy on behalf of all constituent districts within the intermediate district that integrates technology into the classroom and prepares teachers to use digital technologies as part of the instructional program of each of its constituent districts.
  - The intermediate school board certifies that it has posted on its website under the Budget and Transparency Icon the required items years for which the data are available pursuant to Section 81(7)(d).
  - The intermediate school board certifies that it works in consortium with 1 or more other intermediate districts to develop information management system requirements and bid specifications that can be used as statewide models pursuant. At a minimum, these specifications shall address pupil management systems for both general and special education, learning management tools, and business services
  - The district is the designated policy holder for medical benefit plan(s) pursuant to Section 81(7)(f).
2. The board of education of \_\_\_\_\_ (NAME OF INTERMEDIATE SCHOOL DISTRICT) authorizes and directs its secretary to file this resolution with the State Aid and School Finance Office of the Michigan Department of Education.
3. All resolutions and parts of resolutions insofar as they conflict with the provisions of this resolution are hereby rescinded.

Resolved this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

Roll Call Vote: Passed: \_\_\_\_\_ Failed: \_\_\_\_\_

\_\_\_\_\_  
Board Representative Name

\_\_\_\_\_  
Board Representative Signature

Please send resolution to John A. Hayner at [haynerj1@michigan.gov](mailto:haynerj1@michigan.gov) or it may be mailed to:  
John A. Hayner, Michigan Department of Education, Office of State Aid and School Finance,  
P.O. Box 30008, Lansing, Michigan 48909.

**Example Intermediate School District  
2013-14 Report on the Status of the Service Consolidation Plan to  
Meet Best Practice Requirements A and D  
of MCL 388.1681(7)  
DATE**

**Shared Services that have been implemented at the Example ISD**

1. Payroll and Accounting Services- Example ISD has developed a fully integrated web based budget, grant, purchasing, payroll and accounting system that utilizes the standard chart of accounts found in the *Michigan Public School Accounting Manual* and allows district to prepare all standard and some adhoc financial reports necessary to meet federal, state, and local reporting requirements.
2. Student Data Systems – Example ISD has contracted with Another ISD that has developed a student data system that includes all data elements necessary to report student demographic, academic, and program participation information necessary to meet federal, state, and local reporting requirements.

**Districts and Intermediate Districts Participating in the Shared Payroll and Accounting Services with Example ISD**

1. District A- Total participation in all payroll and accounting services at Example ISD
2. District B – Participating in only the payroll services at Example ISD
3. District C – Participating in only the accounting services at Example ISD

**Districts and Intermediate Districts Participating in the Shared Student Data System with Example ISD**

1. District A – Total Participation
2. District B – Total Participation

**Projected Total Cost Savings Related to Each Shared Service**

Once fully implemented, the projected annual cost savings to all districts involved in the Shared Payroll and Accounting Services are:

\$xxx, xxx, xxx

Once fully implemented, the projected annual cost savings to all districts involved in the Shared Student Data Services are:

\$xxx, xxx, xxx

**Brief Narrative Summary describing the successes related to implementing each shared service**

Two or three paragraphs on each shared service

**Challenges faced in the implementation of each shared service**

Two or three paragraphs on each shared service

Please send the report to John A. Hayner at haynerj1@michigan.gov or it may be mailed to: John A. Hayner, Michigan Department of Education, Office of State Aid and School Finance, P.O. Box 30008, Lansing, Michigan 48909. Posting a copy of this report, along with various other data elements, on the District's website under the Budget Transparency icon is necessary if the district intends to also meet Best Practice Requirement "D."