

STATE SCHOOL AID UPDATE

Michigan Department of Education



April 2007

Vol. 15 No. 7

STATE SCHOOL AID DATA UPDATED FOR APRIL

The April state school aid payment is the 7th payment of the year and reflects 63.63% 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, April 20, 2007.

Updated categoricals for the April payment include:

- **Michigan School Readiness** – Section 32d (Blanche Deren, Early Childhood Education and Family Services, (517) 241-4289, DerenB@Michigan.gov).
- **Special Education** – Section 53a (Dianne Easterling, Special Education and Early Intervention Services, (517) 241-4517, EasterlingD@Michigan.gov).

FY 2007 STATE SCHOOL AID

On March 29, 2007 State Budget Director, Robert L. Emerson, sent the Chairman of the Senate and House Appropriation Committees a revised **recommendation for supplemental appropriation** that would address the pending shortfall in the FY 2007 state school aid budget. If enacted, this would make changes to the Michigan Public School Employees Retirement System for a savings of \$262 million, refinance debt service for a savings of \$40.4 million, and eliminate new categorical programs. This recommendation would also address an expected cash flow problem by changing the date that the State will make school aid payments when the 20th of the month falls on a non-business day to the **first business day after the 20th** as opposed to the prior business day as is in current law. This would affect the May 2007 payment, if enacted.

On April 12, 2007, Mr. Emerson sent school superintendents a letter regarding FY 2007 state school aid. He expressed his expectation that, "2007 school aid fund revenue estimates may further decline by \$100-150 million at the May revenue estimating conference." Given that no legislation has been enacted to address the problems in the school aid budget, Mr. Emerson indicated the need to issue a proration letter to the legislature no later than May 1, 2007 informing them that remaining payments to school districts will be prorated in compliance with Section 11(3) of the State School Aid Act. The proration would affect the June 2007, July 2007, and August 2007 school aid payments and would be approximately \$90 – \$125 per pupil. The language in Section 11(3) gives the legislature 30 calendar days or 6 legislative session days (whichever is more) after the State Budget Director's notification to enact legislation to reduce or prevent the proration before the Department reduces any school aid payments. The letter requests that school district superintendents contact their legislators to encourage them to seek a bipartisan solution to avoid proration. Contact Dan Hanrahan at (517) 335-0521, or e-mail HanrahanD@Michigan.gov.

FY 2008 SCHOOL AID

The House subcommittee on K-12 appropriations has recommended a substitute for House Bill 4359 (HB 4359) for FY 2008. The following are some key points of HB 4359 with a comparison to the Governor's Executive Recommendation for FY 2008 school aid where applicable. See the February 2008 State School Aid UPDATE for more detail on the Governor's Executive Recommendation.

- The minimum foundation grant in FY 2008 would be \$7,208 under the House bill, an increase of \$100 above the sum of the FY 2007 minimum foundation of \$7,085 and the \$23 FY 2007 Equity payment.
- HB 4359 agrees with the Executive Recommendation to increase the **Section 29 Declining Enrollment** funding by \$16 million to a total of \$36 million.

- HB 4359 would increase the \$20 million **Section 22c Equity Payment** by \$96 million for a total of \$116 million. An equity payment of up to \$100 would be paid to districts with a FY 2008 foundation of \$7,669 or less. The Executive Recommendation does not include an equity payment for FY 2008.
- HB 4359 would allocate \$20 million in a new **Section 77 for Transportation Grants**. \$15 million would be allocated at approximately \$98 per pupil to districts with total square miles greater than 156; \$5 million would be allocated at approximately \$98 per pupil to districts with fewer than 5.0 pupils per square mile. The Executive Recommendation does not include Section 77 funding.
- **Michigan school readiness** funding (Section 32d and 32l) would increase by \$5.4 million in order to increase the per-child allotment from \$3,300 to \$3,500 under both HB 4359 and the Executive Recommendation.
- HB 4359 would allocate \$87.3 million each for **new Sections 32e and 32f**. Section 32e would fund **full-day preschool programs** for at-risk 4-year-olds. Section 32f would fund preschool programs for other 4-year-olds. Both programs would generate a full foundation for each 4-year-old. The executive recommendation includes a new Section 32e with \$194.6 million dollars for at-risk 4-year-olds, but does not include a new Section 32f.
- HB 4359 does not include an increase in **Section 81 ISD general operating funds**. The Executive Recommendation includes a 2.5% increase in Section 81 funding.

The summary provided above should not be considered a complete description of the content of the executive proposal or the House substitute. Also, please be advised that changes are likely as the budget makes its way through the legislative process. Additional information and details on these proposals can be found at www.Michigan.gov/budget and www.house.Michigan.gov.

INDIRECT COSTS

Preliminary indirect cost rates for the 2007-2008 school year will soon be calculated. District superintendents should receive Form R0418, Carryforward Calculation for 2007-2008 Federal Indirect Cost Rates and Form R0418a, Costs for the Development of 2007-2008 Federal Indirect Cost Rates during the first week in May. In order to complete the process of establishing indirect cost rates, the district must complete Form DS-4513 and return it to the Department by June 1, 2007. Form DS-4513 will not be provided in the mailing, due to the need to minimize costs. Directions to access the form on the Department's website are provided as part of the mailing. Contact Phil Boone at (517) 335-4059 or BooneP2@Michigan.gov.

APRIL MSBO CONFERENCE

Office of State Aid and School Finance staff will be attending and presenting at the annual MSBO conference in Grand Rapids April 24 -26, 2007. We look forward to seeing you there. Feel free to catch up to us with any questions or concerns that you may have.

GENERAL INFORMATION

- The **DS-4168B, Planned Number of Days and Clock Hours of Pupil Instruction** was due **April 16, 2007**. 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, or e-mail WonseyJ@Michigan.gov with questions.
- The 4th quarterly count date for **Adult Education** program participants is the 4th Wednesday in April, **April 25, 2007**.
- The proration factor for Section 31a-At Risk funding is \$206.187318059 per pupil.
- The proration factor for Section 56-Special Ed Millage equalization is .9668261293
- The proration factor for Section 29-Declining Enrollment is .0938786226

*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.

