

STATE SCHOOL AID DATA UPDATED FOR APRIL

The April state school aid payment is the 7th regular 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 Monday, April 21, 2008.

The following categorical was updated for the April payment:

- **Michigan School Readiness** – Section 32d (Connie Robinson, Early Childhood Education and Family Services, (517) 241-4289, RobinsonC1@Michigan.gov).

FY 2009 SCHOOL AID

In last month's UPDATE we advised that the Senate subcommittee on K-12 appropriations had unanimously approved their version of FY 2009 state school aid (Senate Bill 1107) on March 11, 2008. We also provided a brief synopsis of SB 1107 in the March UPDATE. The full Senate passed SB 1107 on March 26, 2008. The House subcommittee on K-12 appropriations has now scheduled hearings on FY 2009 state school aid. The chair of the subcommittee advised at the first hearing held on April 9, 2008, that the hearings would likely be held the rest of April and throughout the month of May 2008. To view the Governor's Executive recommendation for FY 2009 state school aid, go to www.Michigan.gov/budget. Detailed information of SB 1107 can be found at www.senate.Michigan.gov. See related information below on the May Consensus Revenue Estimating Conference.

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 16, 2008. The purpose of the conference is to reach a consensus on the current fiscal year revenues and the projected revenues for FY 2009. The revenue consensus reached at the conference will impact state school aid for FY 2008 and FY 2009. Information on the results of that conference will be in the May or June UPDATE. Information regarding the Revenue Estimating Conference can also be obtained from the House Fiscal Agency Website (www.Michigan.gov/HFA) following the conference.

INDIRECT COSTS

Current indirect cost rate information is now available at: http://www.michigan.gov/mde/0,1607,7-140-6530_118785--,00.html. The new rate information includes Special Education rates for 2007-2008 and preliminary rate information for 2008-2009. Form R0418a, *Costs for the Development of 2008-2009 Federal Indirect Cost Rates* details the cost data used to calculate preliminary indirect cost rates. Form R0418, *Carryforward Calculation for 2007-2008 Federal Indirect Cost Rates* shows the results of the preliminary calculation. **Note:** A programming error related to the rate calculation was discovered and corrected on April 11, 2008. Adjustments from the prior cycle were inadvertently included in the rate calculation. If you accessed your rates on or before April 11, 2008, please check the RO418 to see if they have changed.

In order to attain Federal approval for 2008-2009, the MDE has amended the carryforward calculation. If your district had an indirect rate above the corresponding cap in 2006-2007, it is ineligible for any under-recovered adjustment to the corresponding 2006-2007 indirect cost pool. Although this change will have a dramatic effect on the calculated rates of some districts, it is unlikely to have a significant impact. Districts that consistently show extremely high rates will see rates that will drop closer to but likely remain above the cap. If you have any questions or comments related to this change, please contact Phil Boone at (517) 335-4059 or BooneP2@Michigan.gov.

FY 2007 SCHOOL AID SHORT TERM ADJUSTMENTS IN APRIL PAYMENT

Some districts have incurred school aid adjustments for operating less than 1,098 instructional hours in FY 2007 as reported on form DS-4168, Report of Days and Clock Hours of Instruction. These adjustments appear on the April 2008 State School Aid Financial Status Report in the "Prior Year Adjustment" section on a line labeled "2007 Short Term." Pursuant to language in Section 101 of the State School Aid Act, a district failing to comply with the required minimum hours of instruction shall forfeit from its total state aid allocation an amount determined by applying "a ratio of the number of hours the district was in noncompliance in relation to the required minimum." The ratio is applied against the district's total adjusted state aid (FY 2007 in this case) minus any *Durant* and Adult Education Funds. For example, a district short six (6) hours, with adjusted state aid of \$1,000,000, Adult Education Funds of \$100,000 and *Durant* funds of \$90,000 would incur an adjustment of \$4,426 as follows:

$$((\$1,000,000 - \$100,000 - \$90,000) \times (6/1,098)) = \$4,426$$

The adjustment would be prorated accordingly if the noncompliance is for only part of the district such as one grade level or one building. If you have any questions or concerns related to these adjustments, please contact Joellen Wonsey, (517) 373-3352, or WonseyJ@Michigan.gov.

P.A. 63 OF 2007 CONSOLIDATION OF SERVICES UPDATE

The Department would like to thank each intermediate school district (ISD) for submitting the P.A. 63 Consolidation of Services Survey. The Office of State Aid and School Finance has now received the results of that survey. The data are currently being analyzed and summarized. The plan is to send a copy of the summary report to each ISD by the end of April. The report of the survey is due to the legislature by May 19, 2008.

SECTION 25C ADJUSTMENTS

Section 25c of the State School Aid Act allows a "district of the first class" under the *Revised School Code* to bill a local district or public school academy (PSA) for pupils that transfer to the district of the first class after the pupil membership count day. The pupils involved were counted on the pupil membership count day in the district from which they transferred and were residents of the district of the first class on that pupil membership count day. The Section 25c language requires the Department to deduct the amount of the bill from the remaining state school aid payments of the district or PSA from which the pupil transferred and pay the amount to the district of the first class. Several districts and PSAs will see a Section 25c adjustment(s) on their April 2008 State School Aid Financial Status Reports for FY 2005 and/or FY 2006. The dollar amounts are negative and are labeled either "2005 Pupil Transfer Adjustment" or "2006 Pupil Transfer Adjustment." Questions concerning this item may be directed to Dan Hanrahan, Office of State Aid and School Finance, (517) 335-0521 or HanrahanD@Michigan.gov.

APRIL MSBO CONFERENCE

Office of State Aid and School Finance staff will be attending the annual MSBO conference in Grand Rapids April 29 – May 1, 2008. 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 15, 2008**. 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 23, 2008**.
- The proration factor for Section 31a-At Risk funding is \$241.656731738 per pupil.
- The proration factor for Section 29-Declining Enrollment is .0820799603

*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.