

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 20, 2009.

The following categorical was updated for the April payment:

- **Michigan School Readiness** – Section 32d (Jan Fowler, Early Childhood Education and Family Services, (517) 241-4741, FowlerJ2@Michigan.gov).
- **Great Start ISD** – Section 32j (Colleen O'Connor, Early Childhood Education and Family Services, (517) 241-4291, OconnorC1@Michigan.gov).
- **Special Education** – Section 54 (Dianne Easterling, Special Education and Early Intervention Services, (517) 241-4517, EasterlingD@Michigan.gov).
- **Special Education** – Section 53a (Dianne Easterling, Special Education and Early Intervention Services, (517) 241-4517, EasterlingD@Michigan.gov).
- **Tuition Deducts** – Section 53a (Dianne Easterling, Special Education and Early Intervention Services, (517) 241-4517, EasterlingD@Michigan.gov).
- **Adult Education** – Section 107 (Joellen Wonsey, State Aid and School Finance, (517) 373-3352, WonseyJ@Michigan.gov).

FY 2010 SCHOOL AID

In the February State School Aid UPDATE we summarized the Governor's state school aid Executive Budget Recommendation for FY 2010 that was presented on February 12, 2009. On April 2, 2009, the House passed their version of FY 2010 state school aid, House Bill 4447. HB 4447 would use \$220.1 million of federal State Fiscal Stabilization funds (part of the American Recovery and Reinvestment Act) to cover revenue shortfalls recognized at the January 2009 Revenue Estimating Conference. The following are some key points of HB 4447 with a comparison to the Governor's Executive Recommendation for FY 2010 school aid where applicable. See the February 2010 State School Aid UPDATE for more detail on the Governor's Executive Recommendation.

- The per pupil foundation grants would remain equal to the FY 2009 per pupil foundation grants under both HB 4447 and the executive recommendation. However, the Executive Recommendation would reduce the **Section 22b Discretionary Payment** by \$59 per pupil. HB 4447 allocates federal State Fiscal Stabilization funds in order to fully fund the Section 22b Discretionary Payment.
- Both HB 4447 and the Executive Recommendation would continue the **Section 29 Declining Enrollment** funding of \$20 million for districts that do not qualify for a blended pupil count exception under Section 6(4)(y) (see related item below).
- The **Section 51c Special Education Headlee Obligation** funding and the **Section 51a(2) Special Education Foundation** funding would increase by a combined total of approximately \$41 million under both HB 4447 and the Executive Recommendation.
- The **Section 32d Great Start Readiness** funding (\$88.1 million) and the **Section 32I Great Start Readiness Competitive** program (\$15.2 million) and the **Great Start Early Childhood Investment Corporation Collaborative** grants (\$6.8 million) remain at their FY 2009 levels under both proposals; however, the Section 32I competitive Great Start funds would be transferred to Section 32d under the House plan.
- The **Section 32j Great Start Great Parents ISD** funding of \$5 million and the **Section 32c Great Start Interagency Collaborative** funding of \$2.1 million would be maintained under the House plan but eliminated under the Executive Recommendation.

- **Section 61a Vocational Education Added Cost** funding would continue at \$29.6 million under both proposals.
- The **Section 20j** payment to “hold harmless” districts would remain at approximately \$52 million under HB 4447. The Executive Recommendation would reduce the Section 20j payment to “hold harmless” districts by \$10 million from approximately \$52 million to \$42 million.
- The **Section 81 ISD Operation** funds would remain at \$81.7 million under HB 4447. The Executive Recommendation for FY 2010 would reduce the Section 81 ISD Operation funding by 20% from \$81.7 million to \$65.4 million.
- Other programs that would continue for FY 2010 at their FY 2009 funding levels under both plans include:
 - 21st Century Schools Program (Section 11n) \$15 million;
 - ISD Special Education Millage Equalization (Section 56) \$36.9 million;
 - Health Science Middle College Planning (Section 64) \$2 million;
 - Math/Science Centers (Section 99) \$3.5 million;
 - ISD Vocational Education Millage Equalization (Section 62) \$9 million.
- Other categoricals that would be maintained under HB 4447 but eliminated under the Executive Recommendation for FY 2010 include:
 - Bilingual Education (Section 41) \$2.8 million;
 - Small Rural District Transportation (Section 22d) \$1.3 million;
 - MBT Impact on Out-of-Formula Districts (Section 22e) \$1.3 million.

In addition, several district-specific provisions in Section 20 and Section 99k of the State School Aid Act would be maintained under the House proposal but eliminated under the Executive Recommendation.

The three-year average blended pupil count language in Section 6(4)(y) for those districts with 4.5 or fewer pupils per square mile and a standard FY 2010 blend of less than 1,550 FTEs would remain under HB 4447 but be changed to a two-year average blend under the Executive Recommendation.

P.A. 268 of 2008 amended Section 6(4)(r) of the State School Aid Act to require pupils in developmental kindergarten programs to receive 1,098 hours of instruction (as opposed to 549 hours under current law) beginning in FY 2010 in order to generate a full foundation. The language also changes the required hours for “regular” kindergarten programs from 549 hours to 658.8 beginning in FY 2011 and to 768.6 beginning in FY 2012. Language in HB 4447 would postpone the implementation date for the required hour changes for two years. The change for developmental kindergarten programs would take effect in FY 2012 and the changes for regular kindergarten programs would take effect in FY 2013 and 2014 respectively.

HB 4447 would require schools to be in session a minimum of 170 days beginning in FY 2010.

The FY 2010 PSERS rate would increase from 16.54% to an estimated 16.94% under both proposals.

The summary provided above should not be considered a complete description of the content of either proposal. Also, please be advised that changes are likely as the budget makes its way through the legislative process. Additional information and details on the executive budget proposal can be found at www.Michigan.gov/budget. Additional information and details on HB 4447 can be found at www.house.Michigan.gov/hfa.

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 15, 2009. The purpose of the conference is to reach a consensus on the current fiscal year revenues and the projected revenues for FY 2010. The revenue consensus reached at the conference will impact state school aid for FY 2009 and FY

2010. 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 will be available on or before May 1, 2009 at: http://www.michigan.gov/mde/0,1607,7-140-6530_6605-118785--,00.html. The new rate information includes Special Education rates for 2008-2009 and preliminary rate information for 2009-2010. Form R0418a, *Costs for the Development of 2009-2010 Federal Indirect Cost Rates* details the cost data used to calculate preliminary indirect cost rates. Form R0418, *Carryforward Calculation for 2008-2009 Federal Indirect Cost Rates* shows the results of the preliminary calculation. If you have any questions or comments, please contact Phil Boone at (517) 335-4059 or BooneP2@Michigan.gov.

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 are those 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 2009 State School Aid Financial Status Reports for FY 2007. The dollar amounts are negative and are labeled "2007 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 Detroit April 28 – April 29, 2009. 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, 2009**. 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 **Bulletins 1011 and 1014** reflecting local school district **FY 2008** financial information are now available on the MDE website at www.Michigan.gov. Click on "Programs and Offices", then "State Aid and School Finance" then look under "Publications and Reports." With questions related to the bulletins, contact Glenda Rader, State Aid and School Finance, (517) 335-0524, or e-mail: RaderG@Michigan.gov.
- The 4th quarterly count date for **Adult Education** program participants is the 4th Wednesday in April, **April 22, 2009**.
- The proration factor for Section 31a-At Risk funding is \$253.49445931 per pupil.
- The proration factor for Section 29-Declining Enrollment is .0745583625.
- The proration factor for Section 56-Special Ed Millage Equalization is .9882988716.
- **Note:** The proration factors listed in the March UPDATE were in error. We apologize for the inconvenience.

*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.