

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 22, 2013. The following categoricals were updated for the April payment:

- **Great Start Readiness** – Section 32d (Pat Sargent, Early Childhood Education and Family Services, (517) 241-4741, SargentP@Michigan.gov).
- **Great Start Competitive** – Section 32l (Elizabeth Glomski, Early Childhood Education and Family Services, (517) 241-9133, GlomskiE@Michigan.gov).
- **Math/Science Centers** – Section 99 (Ruth Ann Hodges, Education Improvement and Innovation, (517) 241-2219, HodgesR3@Michigan.gov).

2013-2014 SCHOOL AID

In the February State School Aid UPDATE we summarized the Governor's state school aid Executive Budget Recommendation for FY 2014 that was presented on February 7, 2013. On March 19, 2013, the House Appropriations Subcommittee on K12 Education introduced House Bill 4227 which represents their recommended version of FY 2014 state school aid. On April 10, 2013 the Senate Appropriations Subcommittee on K12 Education introduced Senate Bill 182 which represents their recommended version of FY 2014 state school aid. The following are some key points of HB 4227 and SB 182 with a comparison to the Governor's Executive Recommendation where applicable.

- The House proposal agrees with the Governor's recommendation that the per pupil **Foundation Grants for FY 2014 would be equal to the FY 2013 Foundation Grants**. The minimum foundation grant for FY 2014 would remain at \$6,966 per pupil with the maximum state guaranteed foundation remaining at \$8,019. Under the Senate plan the minimum foundation would be increased by \$100 to \$7,066 and the basic foundation would increase by \$50 to \$8,069.
- The House agrees with the Governor's proposal to establish a **new Section 22c** that would allocate \$24 million to make **equity payments of up to \$34 per pupil**. The per pupil equity payments would be equal to \$7,000 minus the district's foundation grant, but would not be included in foundation base when calculating the FY 2015 foundations. The Senate proposal would allocate \$24.5 million for these payments that would ensure that all districts receive at least \$7,100 per pupil in FY 2014. Under the Senate proposal, the equity payments would be included in the base when calculating FY 2015 per pupil foundations.
- Under the Governor's proposal, the **Section 22f Best Practice** funding would be reduced to \$25 million and paid out at a rate of \$16 per pupil. The House plan reduces the Section 22f appropriation to a \$100 placeholder. The Senate eliminates Section 22f entirely.
- Under the Governor's recommendation the **Section 22j Performance-Based** funding would be maintained at \$30 million. The House and Senate proposals would raise the appropriation to \$46.4 million. However, the House plan includes language that would make ineligible any district that ratified a contract between December 10, 2012 and March 28, 2013 unless the contract meets certain criteria as stipulated in the House proposal.
- The Governor's recommendation for FY 2014 would reduce the **Section 22i Technology Infrastructure** funding from \$50 million to \$13.5 million. The House plan would maintain the funding at \$50 million but restrict its use to items stipulated in their proposal. Also, the House plan includes language that would make ineligible any district that ratified a contract between December 10, 2012 and March 28, 2013 unless the contract meets certain criteria as stipulated in the House proposal. The Senate language would eliminate Section 22i funding entirely.
- The Executive Recommendation for FY 2014 would maintain the **Section 81 Intermediate School District (ISD) General Operations** funding at \$62.1 million with an additional \$2 million available for ISDs meeting 5 of 6 best practices. The House proposal maintains the \$62.1 million appropriation but only includes a \$100 placeholder for best practice funding. The Senate proposal increases the basic appropriation by \$2 million to \$64.1 million and eliminates the best practice language for ISDs.
- The Governor's recommendation and the House plan retain the **Section 147a MPSERS Offset** funding of \$155 million. The Senate plan repeals this Section and uses a majority of the funding towards an increase in the per pupil foundations. All three plans call for funding of \$403 million in **Section 147c** to keep the **MPSERS Unfunded Liability** rate at 20.96%.

2013 - 2014 PUPIL ACCOUNTING

As mentioned above, the Governor, the House and the Senate have all unveiled their school aid proposals for FY 2014. In addition to the items above regarding the per pupil foundations and certain categorical

funding, the proposals all include language that affects pupil accounting. The following are some key points of those proposals:

- The Governor's recommendation includes language in **Section 25** originally scheduled to take effect in FY 2013 that would allow a district to count a prorated FTE for pupils who transfer to the district following the Pupil Membership Count (October) date. The House and Senate plans would repeal Section 25 and include a new Section 25e that requires the Center for Educational Performance and Information to develop an automated system to count pupils who enroll after the Pupil Membership Count date and before the Supplemental Count (February) date.
- The Governor's recommendation includes a **new Section 21f** that would allow for two **online courses** for pupils in grades 5 through 12 with the consent of the parent or guardian. More than two classes would be allowed for pupils who demonstrate success with online learning. The House would amend the Section 21f language to restrict the program to grades 7 through 12 among other things. The Senate would amend the language to state, among other things, that payment would be based on 50% for enrollment and 50% for successful completion.
- Under the House proposal, the foundation for a pupil in a cyber school or otherwise receiving their instruction 100% in an online model would be 80% of the foundation otherwise generated beginning in FY 2015.
- Under the Governor's proposal, the **pupil count blend** would remain at 90% of the October count and 10% of the prior February count. The Senate would amend the formula to be 90% of the October count and 10% of the subsequent February count. The House would amend the formula to be 80% of the October count and 20% of the subsequent February count.
- Under the Governor's recommendation and the Senate proposal, the required number of days of instruction would remain at 170 days or what the district provided in FY 2010 whichever is higher. Under the House proposal, the days requirement would be 175 or what the district provided in FY 2010, whichever is higher, beginning in FY 2015 .

The summaries above related to the Governor's, the House and the Senate proposals for FY 2014 state school aid funding should not be considered a complete description of the content of the proposals. Please be advised that changes are likely as the budget makes its way through the legislative process. Additional information and details on the proposals can be found on the websites of the State Budget Office, House Fiscal Agency and the Senate Fiscal Agency.

BUDGET TRANSPARENCY REPORTING

The Department encourages school district personnel to review their website to ensure that it includes the required Budget Transparency data elements including the latest current year budget revision, the 2011-2012 expenditure pie charts, any updated salary information, and any other updates to the data elements required by the State School Aid Act (MCL 399.1618(2)). State School Aid and School Finance staff will be reviewing the websites to ensure compliance with the legislation. With questions related to the Budget Transparency reporting, contact Chad Urchike, State Aid and School Finance, (517) 335-1261 or email: UrchikeC1@Michigan.gov.

INDIRECT COSTS

Current indirect cost rate information is available at: http://www.michigan.gov/mde/0,1607,7-140-6530_6605-118785--,00.html. The new rate information includes Special Education rates for 2012-2013 and preliminary rate information for 2013-2014. Form R0418A, *Costs for the Development of 2013-2014 Federal Indirect Cost Rates* details the cost data used to calculate preliminary indirect cost rates. Form R0418, *Carry Forward Calculation for 2013-2014 Federal Indirect Cost Rates* shows the results of the preliminary calculation. Form DS-4513 allows the district to edit preliminary cost information to portray more accurate indirect cost rates. If you have any questions or comments, please 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 the annual MSBO conference in Grand Rapids at various times April 23rd through April 25th. 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** that was due April 15 in past years is no longer required.
- The 4th quarterly count date for **Adult Education** program participants is the 4th Wednesday in April, **April 24, 2013**.
- The proration factor for Section 31a-At Risk funding is \$307.1231303743 per pupil.
- The Headlee Obligation for Data Collection funds are paid at a rate of \$24.5192844603 per pupil.

*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.