

# STATE SCHOOL AID UPDATE

Michigan Department of Education



December 2009

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## HAPPY HOLIDAYS TO ALL OF YOU

The Office of State Aid and School Finance staff (Jerry, Kathy, Joellen, Phil, Sandy, Glenda and Dan) wish each of you a Happy Holiday Season! Also, we wish you the best for the upcoming new year. As always, we encourage you to feel free to contact us with questions or concerns that we may be able to help with. In addition, we would like to thank you for the support and encouragement that you express to us when we talk on the phone or meet occasionally in person at meetings and other functions.

## NO PRORATION IN THE DECEMBER PAYMENT

**There is no Section 11(3) proration in the December 2009 payment.** In the November 2009 State School Aid UPDATE we wrote about the potential for a state school aid proration to begin with the December 2009 state school aid payment pursuant to language in Section 11(3) of the State School Aid Act that requires proration when the State Treasurer notifies the State Budget Director that the amount appropriated for school aid exceeds the amount available (revenues) for expenditure from the school aid fund. The State Budget Director received that notification from the State Treasurer and in turn notified the legislature and school districts on October 22, 2009 of the potential for proration beginning with the December 2009 state school aid payment. In a letter dated December 10, 2009, the State Budget Director advised the legislature that preliminary book-closing figures for FY 2009 indicate that the school aid fund lapses may be larger than expected. Also, the letter states that taxable values reported by county treasurers are higher than anticipated resulting in higher school operating tax collections and lower school aid payments. Therefore, the Governor and the State Budget Director have determined that any Section 11(3) proration shall be delayed until "more current year revenue and expenditure data become available from the January Revenue Estimating Conference to determine what, if any, adjustment is necessary." As noted in the letter, **this does not alleviate the \$165 per pupil reduction in Section 11d for fiscal year 2010.**

## CORRECTION TO NOVEMBER PAYMENT APPEARS ON DECEMBER STATUS REPORT

The November State School Aid UPDATE included an important notice that the November payment had to be re-calculated after the initial payment had been processed. As a result, most districts received a supplemental (second) payment to correct the amount of the Section 22b Discretionary Payment funds included in the initial payment and that were reported on the November State School Aid Financial Status Report. The November supplemental payment was not reflected on the November status report. The correct amount of each district's Section 22b funds as well as the supplemental payment is reflected on the December status report. The amount of the supplemental payment appears on page one of the status report in the section of the report labeled "CURRENT YEAR ALLOWANCES." It is identified as "22b Supplemental: 11/17/2009" and is included in the previous amount paid for Section 22b Discretionary Payment funds when calculating the current month's payment. Questions related to this item may be directed to Dan Hanrahan at (517) 335-0521 or e-mail: [HanrahanD@Michigan.gov](mailto:HanrahanD@Michigan.gov).

## FY 2010 STATE SCHOOL AID/ARRA FUNDS

\$450 Million of American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Funds are appropriated in FY 2010 to support the Section 22b Discretionary Payment funds similar to FY 2009. Districts will note that the amount of the FY 2010 State Fiscal Stabilization Funds now showing as their allocation in the Department's Michigan Education Grants System does not at this time equal the Section 22b adjustment on their State School Aid Financial States Report labeled "22b Discretionary Pmt Adj\*." **Please be advised that the two amounts will agree to the amount on the status report when the Phase II stabilization funds are allocated to the state.**

## DECEMBER PAYMENT INFORMATION

The December state school aid payment is the third regular payment of the 2010 fiscal year. The payment will be electronically transferred to the districts' accounts on Monday, December 21, 2009.

**Taxable value** - The December payment continues to use the *beginning* 2009 tax roll non-homestead taxable value data, as provided by the county treasurers via the web based taxable valuation collection process. These data can be viewed by school district personnel on the Department's website. The URL is: <http://mdoe.state.mi.us/taxvalue>. To view your data, click on "Public Access," and then choose your district code and the appropriate tax year from the drop-down menus. Questions concerning taxable value should first be directed to the appropriate county treasurer.

**Pupil membership** - September 2009 unaudited pupil count data reported to the Center for Educational Performance and Information (CEPI) via the new Michigan Student Data System (MSDS) were used in the calculation of the blended membership count for the December payment.

**Updated categoricals** - The following categoricals were updated in the December payment although the updates may not have affected the allocation amounts for all districts. If the allocation amount for your district has changed and you have questions concerning that change, contact the consultants identified below:

- Great Start Readiness - Section 32d (Jan Fowler, Early Childhood Education and Family Services, (517) 241-4741, [FowlerJ2@Michigan.gov](mailto:FowlerJ2@Michigan.gov))
- ISD Great Start - Section 32j (Colleen O'Connor, Early Childhood Education and Family Services, (517) 241-4291, [OconnorC1@Michigan.gov](mailto:OconnorC1@Michigan.gov))
- Bus Driver Safety - Section 74 (Ken Micklash, Grants Coordination and School Support Services, (517) 373-6388, [MicklashK@Michigan.gov](mailto:MicklashK@Michigan.gov))

### **SECTION 11D SERVICE CONSOLIDATION PLANS**

As mentioned above, the \$165 Section 11d per pupil school aid reduction for fiscal year 2010 is still in effect. Based on the language in that section, not later than February 1, 2010 districts must enter into an agreement with the Department to develop a Service Consolidation Plan to reduce school operating costs that is in compliance with Department guidelines **if they wish to apply the reduction to categorical funding**. Districts with an approved agreement can apply the reduction to any "unprotected" categorical funds. Under no circumstances can a district apply the reduction to the "protected" categorical funding in Sections 11g, 22a, 31d, 51a(12), 51c, and 53a. A November 12, 2009 communication from State Superintendent Mike Flanagan to local superintendents and public school academy directors provided the Department guidelines for the agreements. The template for the agreement was included in that correspondence. The signed agreement as well as the board resolution approving the agreement at the district level can be submitted to Glenda Rader electronically at [RaderG@Michigan.gov](mailto:RaderG@Michigan.gov). Questions related to this issue may be directed to Glenda Rader at (517) 335-0524 or the e-mail above.

### **DEFICIT REPORTING AND BUDGET POSTING**

Language in Section 18(2) of the State School Aid Act now requires local districts, intermediate districts and public school academies to post their annual operating budget and subsequent amendments on their website. The budget postings should include the General Appropriation Resolutions or budgets with a notation indicating when they were adopted by the local school board. This should be done for all funds for which the board adopts a budget. The *Michigan Public School Accounting Manual Section IV* contains further details. **If the budget results in a projected deficit fund balance, the district should immediately notify the Michigan Department of Education.** The notification should be in written form and mailed to Glenda Rader, State Aid and School Finance, P.O. Box 30008, Lansing MI 48909 or by e-mail at [RaderG@Michigan.gov](mailto:RaderG@Michigan.gov).

New language in Section 18 requires additional data to be reported on each district's website by July 30, 2010. These data include pie charts of district expenditures broken down in specific categories, collective bargaining agreements, health care benefit plans, audit reports, dues paid, lobbying costs, etc. Guidance on these requirements is forthcoming.

### **FY 2009 SPECIAL EDUCATION MILLAGE EQUILIZATION ADJUSTMENTS**

Intermediate school districts (ISD) that were eligible for Section 56 Special Education Millage Equalization funds in FY 2009 will see a prior year adjustment related to that funding on their December status report. The adjustment represents the difference between the gross amount due to the ISD in FY 2009 and the prorated amount that was paid out in FY 2009. Funds that would have otherwise lapsed were moved to cover this difference at FY 2009 book closing. Questions related to this item may be directed to Dan Hanrahan at (517) 335-0521 or e-mail: [HanrahanD@Michigan.gov](mailto:HanrahanD@Michigan.gov).

### **DELINQUENT CEPI DATA RESULTS IN 5% WITHHOLDING**

Section 19 of the State School Aid Act requires local districts, intermediate districts and PSAs to submit their Registry of Educational Personnel (REP) and certain other data to the Center for Educational Performance and Information (CEPI) by the first business day in December each year. Section 19(7) of the State School Aid Act requires the Department to withhold 5% of the total funds for which the local district, intermediate district or PSA qualifies for under the act for non-compliance with the reporting requirement. A few schools have funds withheld from their December payment for noncompliance with the REP reporting requirement and/or the Personnel Skilled in Technology Report. Questions related to the submission of the REP data should be directed to the DIT Client Service Center via e-mail at [help-desk@Michigan.gov](mailto:help-desk@Michigan.gov) or phone at (517) 335-0505.

### **GENERAL INFORMATION**

The proration factor for Section 31a At-Risk is \$277.751258024 per pupil.  
The proration factor for Section 29 Declining Enrollment is .0750015419.

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\*Do you have questions about the information appearing in this UPDATE? Call the consultants identified above or **Dan Hanrahan, Director, State Aid and School Finance, MDE**, phone: (517) 335-0521, fax: (517) 241-0196, e-mail: [HanrahanD@Michigan.gov](mailto:HanrahanD@Michigan.gov).