

HAPPY HOLIDAYS TO ALL OF YOU

Superintendent Mike Flanagan and the Office of State Aid and School Finance staff (Jerry, Kathy, Joellen, Phil, Sandy, Jeff, 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.

STATE SCHOOL AID SUPPLEMENTAL ENACTED

House Bill 5887, a fiscal year (FY) 2011 state school aid supplemental, was signed by the Governor on December 3, 2010 and enacted as P.A. 217 of 2010. As reported in the November UPDATE, the bill also amends some sections of state school aid for **FY 2010** as a result of the final state spending required under the State Fiscal Stabilization Fund program not meeting the maintenance-of-effort requirement under the American Recovery and Reinvestment Act (ARRA). However, the version of the bill that has been enacted is slightly different than the one that was originally passed by the House and reported in the November UPDATE. A brief synopsis follows. P.A. 217 appropriates \$30.0 million or the amount necessary to meet the ARRA maintenance-of-effort requirement for FY 2010 mentioned above and distributes the appropriation as follows:

- First, language in Section 11(2)(a) allocates \$10.0 million to intermediate school districts (ISDs) in an amount equal to 14.75% of their FY2010 allocation under Section 81.
- Second, language in Section 11(2)(b) allocates the amount necessary, estimated at \$10.0 million, to districts that receive less than \$154 per pupil under the Education Jobs Bill funding appropriated in Section 11p(2) (see related item below) in an amount equal to the difference between \$154 and their per pupil allocation under the Education Jobs Bill funding.
- Third, language in Section 11(2)(c) allocates the balance of the funds to be distributed on an equal per pupil basis, currently estimated at \$6 per pupil, to reduce the FY 2010 reduction under Section 11d.

The three allocations above will appear on the district's or intermediate district's State School Aid Financial Status Report as a FY 2010 prior year adjustment in the January 2011 payment. HB 5887 was not enacted in time for us to get the programming done for the December 2010 payment.

P.A. 217 also appropriates an additional \$2.4 million for **FY 2010 Section 56 Special Education ISD Millage Equalization**. The FY 2010 Special Education Millage Equalization funds were prorated as the appropriation in law at the time of the August 2010 payment was not enough to pay the total amount of the statewide eligibility. The additional \$2.4 million will be used to pay the difference between the total allowance that the ISD was eligible for minus the prorated amount that was paid through August 2010. These adjustments will show up on the ISD's State School Aid Financial Status Report as a prior year Section 56 adjustment in the January 2011 payment.

SUPPLEMENTAL SCHOOL AID ITEMS AFFECTING FY 2011

In addition to the items above that affect FY 2010 state school aid, P.A. 217 includes items that affect FY 2011. The act appropriates an additional \$246 million of Education Jobs Bill funds by increasing the appropriation in Section 11p(2) of the State School Aid Act from \$65.7 million to \$311.7 million. These funds are to be distributed to local school districts and public school academies by increasing the current Education Jobs Bill Funding from a range of \$23 to \$46 per pupil to a range of \$111 to \$222 per pupil using the "2x formula." The first step in the calculation is to calculate a per pupil foundation grant using the 2x formula. The second step is to calculate the difference between the foundation based on the 2x formula and the district's actual FY 2011 per pupil foundation grant. The third step is to calculate the district's Education Jobs Fund award by multiplying the difference calculated in step two by the district's pupil count used for the October 2010 state school aid payment. The 2x formula to be used is:

$$\text{FY 2010 Foundation} + \$222 - [\$76 \times (\text{FY 2010 Foundation} - \$7,316) / \$1,284] \text{ or } \$8,600, \text{ whichever is less.}$$

The maximum foundation for a public school academy under this calculation is \$7,787. **NOTE:** The foundation grants calculated using the 2x formula above are for purposes of calculating a district's allocation under the federal Education Jobs Bill only and **do not affect the district's actual foundation grant for purposes of state school aid.**

P.A. 217 also establishes a **new Section 152a** that appropriates \$25.6 million to reimburse school districts for the necessary costs related to the state-mandated collection, maintenance, and reporting of data to the state as required by the court in the consolidated cases known as *Adair v State of Michigan*. These funds will be paid out in the January payment as a current year allowance. Four-elevenths will be paid out in January with the balance of the funds to be paid evenly over the remaining payments February through August.

Additionally, P.A. 217 calls for the per pupil deduct under Section 11d for FY 2011 to be increased from \$154 to \$170. New language in Section 11d adds the funds appropriated under Section 152a to the list of school aid funding that is protected from proration. The protected funds are also exempt from having any of the per pupil reduction under Section 11d applied against them by those districts that have been granted flexibility by submitting a service consolidation plan agreement prior to February 1, 2010.

FY 2010 FID DATA

The Department would like to thank school district administrators for submitting the FY 2010 FID data. Department staff is beginning to review the data for quality. Specific e-mails will be sent to FID users requesting corrections within the next few weeks. The FID remains open at this time for districts to submit updated files. Once the final FID data have been processed, preliminary 2012 Indirect Cost Rates and 2010 Maintenance of Effort will be calculated. It is anticipated that staff will run those calculations during the first week of February 2011. Questions related to this item may be directed to Glenda Rader at (517) 335-0524 or e-mail: RaderG@Michigan.gov.

DECEMBER PAYMENT INFORMATION

The December state school aid payment is the third regular payment of the 2011 fiscal year. The payment will be electronically transferred to the districts' accounts on Monday, December 20, 2010.

Taxable value - The December payment continues to use the *beginning* 2010 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 2010 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)
- ISD Great Start - Section 32j (Colleen O'Connor, Early Childhood Education and Family Services, (517) 241-4291, OconnorC1@Michigan.gov)
- School Bus Inspections - Section 74(4) (Ken Micklash, Grants Coordination and School Support Services, (517) 373-6388, MicklashK@Michigan.gov)
- Court Placed Children – Section 24 (Dianne Easterling, Special Education and Early Intervention Services, (517) 241-1235, EasterlingD@Michigan.gov)

DEFICIT REPORTING AND BUDGET POSTING

The Department encourages districts to update the Budget Transparency Reports on the district's website as follows:

- FY 2011 budgets should be updated within 30 days of any local school board adopted amendment.
- The FY 2010 Personnel Expenditure and Current Operating Expenditure standard pie charts are available as part of the FID reporting options. Districts should create a pdf file of those pie charts from the FID system and post them on the district's Budget Transparency website.
- Update the current Collective Bargaining Agreement, Health Care Benefits, Lobbying Services, Association Dues, and Total Employee Compensation information as indicated in the Department Guidance.
- Ensure that the district's Budget Transparency website includes a link to the district's 2010 Audited Financial Statements.

Any district that is projecting a deficit fund balance at June 30, 2011 should notify Glenda Rader by either US mail or e-mail at RaderG@Michigan.gov.

PUBLIC SCHOOL ACCOUNTING MANUAL CHANGE NOTICE

Michigan Public School Accounting Manual Change Notice # 18 will be distributed to superintendents within the next month via a Department E-blast (Thursday MDE Official Communication). The change notice will also be available on the MDE, State Aid and School Finance Office website by the first of January 2011.

GENERAL INFORMATION

The proration factor for Section 31a At-Risk is \$357.379138677 per pupil.

The proration factor for Section 29 Declining Enrollment is .0793027510.

The proration factor for Section 56 Special Ed Millage Equalization is .9833974874

*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.