

HAPPY HOLIDAYS TO ALL OF YOU

Superintendent Mike Flanagan and the Office of State Aid and School Finance staff (Phil, Sandy, Jeff, Brian, John, 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.

DECEMBER PAYMENT INFORMATION

The December state school aid payment is the third regular payment of the 2012 fiscal year. The payment will be electronically transferred to the districts' accounts on Tuesday, December 20, 2011.

Pupil membership – October 2011 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)
- MPERS Cost Offset - Section 147 (Glenda Rader, State Aid and School Finance, (517) 335-0524, RaderG@Michigan.gov)
- School Bus Safety - Section 74(2) (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)
- Math/Science – Section 99 (Kevin Richard, Education Improvement and Innovation, (517) 373-4226, RichardK@Michigan.gov)

FY 2011 FID DATA

The Department would like to thank school district administrators for submitting the FY 2011 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 2013 Indirect Cost Rates and 2011 Maintenance of Effort will be calculated. It is anticipated that staff will run those calculations during the first week of February 2012. Questions related to this item may be directed to Glenda Rader at (517) 335-0524 or e-mail: RaderG@Michigan.gov

DELINQUENT REPORTS RESULT IN THE WITHHOLDING OF FUNDS

A few districts and public school academies (PSA) have failed to comply with the November 15th submission deadline for the **Financial Information Database (FID) – Annual Comprehensive Financial Report** and the **Financial Audit Reports**. The financial penalty for non-compliance is a 100% withholding of state aid until the reports are received. Therefore, for the districts with outstanding reports as of December 9, 2011 the December payment has been withheld. Payments will continue to be withheld until the required reports are received. Questions regarding the *audit reports* may be directed to Kathy Weller, Office of Audits, (517) 335-6858, or e-mail: WellerK@Michigan.gov. Districts with questions pertaining to the *FID* may contact Glenda Rader, State Aid and School Finance, (517) 335-0524, or e-mail: RaderG@Michigan.gov.

It is important to note that in all of the above cases, the delinquent districts were contacted and encouraged to file the reports in order to avoid an interruption in their state aid. Nevertheless, there remain a few noncompliant districts. As noted above, we appreciate the cooperation of all those who have filed their reports in a timely manner.

SECTION 147A MPERS RETIREMENT OFFSET FUNDS

As mentioned in previous UPDATES the school aid amendments for FY 2012 include a **new Section 147a** that appropriates \$155 million for one time payments to districts participating with the Michigan Public School Employees Retirement Service (MPERS). These funds are to be used solely for the purpose of offsetting a portion of the retirement contributions owed by the district for FY 2012. Districts should show expenditures commensurate with the amount of Section 147a revenue under the grant code "208x-MPERS." Questions related to the MPERS offset funds should be directed to Glenda Rader, Office of State Aid and School Finance, at (517) 335-0524 or by e-mail at RaderG@Michigan.gov.

BUDGET AND SALARY /COMPENSATION TRANSPARENCY REPORTING REMINDER

Every district receiving State School Aid is required to post Budget and Salary/Compensation Transparency Information on the district website. MDE guidelines for posting financial data to district websites as required by Section 18(2) and 18(3) of the State School Aid Act is available on the Department's website at http://www.michigan.gov/mde/0,1607,7-140-6530_6605-159882--,00.html. Among the items that we would expect to see recent website updates include any board adopted budget revisions that have occurred since July; a link to the MISchool Data portal, and the 2011 FID data charts (Current Operating Expenditures and Personnel Expenditures). The FID charts may be accessed/downloaded from the "Reporting" tab in the FID System. Questions related to the Budget and Salary/Compensation Transparency reporting should be directed to Jeff Kolb, Office of State Aid and School Finance, at (517) 373-1908 or by e-mail at KolbJ2@Michigan.gov.

INDIRECT COST RATES

The Office of State Aid and School Finance has found an error in the calculation of 2011-2012 Restricted, Unrestricted, and Medicaid Indirect Cost Rates. This is the first cycle in which State Codes have been used to automatically reclassify any grant funded indirect expenditures as direct costs. This automatic reclassification affected expenditures using the 25X, 26X, 283, or 284 Function Codes and State Codes in the range of 2XX – 8XX. However, expenditures reported using State Code 202 should not have been completely reclassified, as districts only receive 28.6138% reimbursement for Special Education costs. Indirect Cost Rates for 2011-2012 have been recalculated in order to correct this oversight. Several districts will see increased 2011-2012 indirect cost rates as a result of the recalculation. Please contact Phil Boone at BooneP2@michigan.gov or (517) 335-4059 with any questions.

FY 2011 SECTION 107 ADULT EDUCATION ADJUSTMENTS

Districts that operated an adult education program in FY 2011 may see two prior year adjustments for the FY 2011 Section 107 Adult Education program on the December 2011 State School Aid Financial Status Report. As described in Section 107(12)(b) of the State School Aid Act, 10% of a district's adult education allocation is based upon program participants meeting specific performance criteria. Adjustments for participants that did not meet performance objectives are reflected on the December 2011 State School Aid Financial Status Report in the section labeled "Prior Year Adjustments" on the line labeled "107 2011 Adult Ed Compliance." Those amounts are reductions to the district's FY 2011 state school aid and are based upon information provided on the Section 107 Performance Objective Report. Those recovered funds have been redistributed to districts that reported participant FTE counts in excess of their caps. FTEs above the cap are being paid out at \$380 per FTE. Those amounts are also reflected in the "Prior Year Adjustments" section on the line labeled "107 2011 Adult Education Participants." Questions regarding the calculation of the adjustment may be directed to Sandy Thelen, Workforce Development Agency, Office of Adult Education at (517) 373-3395 or e-mail ThelenS@michigan.gov.

SECTION 22F BEST PRACTICES FUNDING

As reported in prior UPDATES, the school aid amendments for FY 2012 include a new Section 22f that allocates \$154 million to be paid out at the rate of \$100 per pupil to districts that meet at least 4 of 5 "best practices" by June 1, 2012. More than 280 districts have submitted a resolution. If the resolution was received prior to the calculation of the December payment, Section 22f funding was included in the payment. We will continue to update a report listing the districts that have submitted the resolutions along with the requirements met and the date that the resolutions were received. That report may be found at the following URL: http://www.michigan.gov/documents/mde/district_resolutions_for_best_practice_364369_7.pdf

WELCOME JOHN!

The Office of State Aid and School Finance is very pleased to introduce our newest staff member, John Hayner, who joins us as a Financial Analyst. John fills the position vacated by Kathy Webb and will primarily concentrate on state school aid related internal accounting. However, he will also be our liaison with the Treasury Department for matters related to school aid payments. John can be reached at (517) 241-0196 or e-mail HaynerJ1@Michigan.gov.

FAREWELL TO JERRY HARRIS

Jerry Harris, the lead state aid information technology developer for the past 10 years, has retired. This is actually Jerry's second retirement as he came to us after retiring from the Michigan National Bank. Although school district staff had little contact with Jerry, he was instrumental in getting accurate and timely school aid payments processed. Jerry did a remarkable job of maintaining the state school aid database virtually alone these past 10 years. We wish Jerry all the best in what should be his last retirement. State school aid programming will now be administered by the Department of Technology, Management and Budget.

GENERAL INFORMATION

The proration factor for Section 31a At-Risk is \$294.1084911361 per pupil.

The proration factor for Section 62 Vocational Ed Millage Equalization is .9475472521

The proration factor for Section 56 Special Ed Millage Equalization is .9063117121

The amount per Headlee Obligation Data Collection \$21.7535709731 per pupil