

FY 2008 STATE SCHOOL AID

On January 15, 2008, Governor Granholm recommended supplemental appropriations for the FY 2008 state school aid budget. The Governor's recommendation would address a funding shortfall in the Great Start Readiness program by appropriating an additional \$4.7 million for districts receiving less than their FY 2007 funding level in FY 2008. The Governor also proposed additional funding of \$1.3 million for sparsely populated districts in the Upper Peninsula as well as restoration of the F.I.R.S.T. Robotics program at \$300,000. The recommendation would recognize a total FY 2008 cost savings of \$117 million due to less than anticipated pupil counts and higher than estimated taxable values. To date there has been no movement of a FY 2008 state school aid supplemental through the legislature.

EXECUTIVE BUDGET RECOMMENDATION FOR 2008-2009

On February 7, 2008, Governor Granholm's Executive Budget Recommendations for FY 2009 were presented. The following are some highlights of the provisions of the K-12 budget proposal.

- The **minimum per-pupil foundation** grant in FY 2009 would be \$7,420.00, an increase of \$216 (3%) above the FY 2008 minimum foundation of \$7,204. As in FY 2008 districts above the minimum foundation would receive an increase based on a sliding scale. The range of those increases would be from \$108 up to but not including \$216 based on the following formula:

$$\text{FY 2008 Foundation} + \$216 - [\$58 \times (\text{FY 2008 Foundation} - \$7,204) / \$1,337] \text{ or } \$8,541 \text{ whichever is less.}$$

Districts with a FY 2008 foundation of \$8,433 or higher will have a FY 2009 foundation equal to their FY 2008 foundation plus \$108. New language in the Executive Recommendation would require a district to offer all four high school grades in order to receive 100% of the foundation increase. Districts offering three high school grades would receive 99.5% of the increase; districts offering two high school grades would receive 85% of the increase; and, districts offering 1 high school grade would receive 77.5% of the increase. A district offering no high school grades would receive 70% of the increase.

- The Executive Recommendation allocates \$32 million for a **new Section 11n** that would initially be used for implementation grants for the **21st Century Schools Fund** used to replace large high schools that have low achievement scores and high drop out rates.
- The Executive Recommendation also includes a new **Section 22d** that would allocate \$1.275 million for FY 2009 for Upper Peninsula districts with 5.0 or fewer pupils per square mile to be paid on an equal per-pupil basis.
- The Executive Recommendation for FY 2009 would allocate an additional \$1.3 million in a **new Section 20h** for **Out-of-Formula** districts which have a higher local revenue per pupil than their foundation grant and would be adversely affected by the Michigan Business Tax which limits school operating tax on commercial personal property to 6 mills and eliminates school operating tax on industrial personal property.
- The title of the **Michigan School Readiness (Section 32d)** program would be changed to the **Great Start Readiness** program and the funding would be increased by \$22 million (from \$81 million to \$103 million) to accommodate an additional 6,500 eligible 4 year olds in current programs and hold districts harmless at prior year funding levels.
- **Intermediate school district (ISD) General Operating funding (Section 81)** would increase by \$2.9 million (from \$80.9 to \$83.8 million). ISDs would split \$1 million of the \$2.9 million by receiving a 1.2% increase in their Section 81 funding. The remaining \$1.9 million would go to individual ISDs or consortia of ISDs for grants to strengthen curriculum and instruction related to the Michigan Merit Curriculum in high schools not achieving adequate yearly progress. These allocations shall be made in a manner determined by the Department.

- Programs that would continue for FY 2009 at their FY 2008 funding levels include:
 - At-Risk (Section 31a) \$310 million;
 - Declining Enrollment (Section 29) \$20 million;
 - ISD Special Education Millage Equalization (Section 56) \$36.9 million;
 - Bilingual Education (Section 41) \$2.8 million;
 - Vocational Education (Section 61a) \$30 million;
 - Adult Education (Section 107) \$24 million;
 - Math/Science Centers (Section 99) \$3.5 million;
 - Great Parents Great Start (Section 32j) \$5 million;
 - ISD Vocational Education Millage Equalization (Section 62) \$9 million.
- Other categoricals that would be increased for FY 2009 include:
 - Renaissance Zone Reimbursements (Section 26a) \$55.5 million;
 - Child and Adolescent Health Centers (Section 31a(6)) \$5.7 million.

The estimated FY 2009 PSERS rate would decrease from 16.72% to 16.54%.

The summary provided above should not be considered a complete description of the content of the executive 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.

SPECIAL EDUCATION COSTS UPDATED

The February payment was calculated with updated special education and special education transportation cost figures for most districts. The figures now being used are the costs reported for FY 2007. In addition to affecting the current year Section 51c - Special Education Headlee amount, this update may cause adjustments to the current year Section 22b - Discretionary Payment as well as causing prior year adjustments for FY 2007 Section 51c and possibly FY 2007 Section 22b. Questions concerning these changes may be directed to Dianne Easterling, (517) 241-4517, EasterlingD@Michigan.gov.

CONSOLIDATION OF SERVICES REPORT

P.A. 63 of 2007 requires each ISD to conduct a study and submit a report to the Department regarding opportunities for its constituent districts to share services. Correspondence regarding the report was sent to ISDs by the Department on December 19, 2007 and February 5, 2008. The report in the form of a survey is due March 1, 2008. The survey can be found at the following URL: www.zoomerang.com/recipient/survey.zqi?p=WEB227DHGHFB2H. (Glenda Rader, Office of State Aid and School Finance, (517) 335-0524 or RaderG@Michigan.gov.)

COUNT DAY AND COMMON CALENDAR WAIVER INFORMATION

Amendments to the State School Aid Act for fiscal year 2008 require a district that was not in session on the Pupil Membership Count Day (fall count day) and/or the Supplemental Count day (February count day) due to circumstances beyond the administration's control to receive a waiver from the State Superintendent of Public Instruction for an alternative count day. Information on the count day waiver process is available on the Department's website at: www.michigan.gov/mde/0,1607,7-140-6530_6605-21534--,00.html. (Joellen Wonsey, Office of State Aid and School Finance, (517) 373-3350 or WonseyJ@Michigan.gov.)

GENERAL INFORMATION

- March 12 is the deadline for ISDs to submit to the Center for Educational Performance and Information (CEPI) the Audited FTE Counts for the September 26, 2007 pupil membership count day. (Joellen Wonsey, (517) 373-3352, WonseyJ@Michigan.gov)
- February 13 was the FY 2008 Supplemental count date. The Single Record Student Database records for the Supplemental count date are due to the intermediate school district (ISD) on March 19, 2008. The ISD is to submit the records to CEPI by April 2, 2008. The Supplemental count ISD audited FTE values are due to CEPI by July 30, 2008.
- The proration factor for Section 29 Declining Enrollment is .0834255819.
- The proration factor for Section 31a – At Risk funding is \$240.811661659 per pupil.

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