

STATE SCHOOL AID UPDATE

Michigan Department of Education



February, 2010

Vol. 18 No. 5

FEBRUARY PAYMENT INFORMATION

The February state school aid payment is the fifth regular payment of the 2009-2010 fiscal year. The payment will be electronically transferred to the districts' accounts on Monday, February, 22, 2010.

Updated categoricals - The following categoricals were updated in the February 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:

- Michigan School 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)
- Court Placed Pupils - Section 24 (Dianne Easterling, Special Education and Early Intervention Services, (517) 241-1235, EastrlingD@Michigan.gov)
- Bilingual Education - Section 41 (Linda Forward, Education Improvement and Innovation, (517) 373-8480, ForwardL@Michigan.gov)

FY 2010 STATE SCHOOL AID/ARRA FUNDS

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 Grant System continues to be different than the Section 22b Discretionary Payment Adjustment on their State School Aid Financial Status Report. Those two amounts will agree to the amount that is reflected on the status report when the Phase II stabilization funds are allocated to the state. The Section 22b Discretionary allowance amount shown on the February report has been updated for many districts as a result of more current special education cost figures used in the calculation of the February 2010 state school aid payment (see related item below). Consequently, the Discretionary Payment Adjustment has been recalculated for all districts. **It is the intention of the Department that these amounts are the final Discretionary Payment Adjustment/ARRA Stabilization amounts for FY 2010.**

EXECUTIVE BUDGET RECOMMENDATION FOR 2010-2011

On February 11, 2010, Governor Granholm's Executive Budget Recommendation for FY 2011 was presented to the legislature. The Governor is proposing tax restructuring reforms and reforms to the public school employee pension system in order to prevent further reductions to the school aid budget in FY 2011. The following are some highlights of the provisions of the K-12 budget portion of the Governor's proposal.

- The per pupil foundation grants would remain equal to the FY 2010 per pupil foundation grants. However, districts would continue to receive the same \$165 per pupil deduction under **Section 11d** as they did in FY 2010. Without the reforms mentioned above, it is estimated that schools would be subject to an additional deduction of \$255 per pupil.
- The Executive Recommendation would continue the **Section 29 Declining Enrollment** funding of \$20 million for districts that do not qualify for a blended pupil count exception under Section 6(4)(y).
- The **Section 32d Great Start Readiness** funding would remain at \$88.1 and the **Section 32i Great Start Readiness Competitive** program would remain at \$7.6 for a total of \$95.7 million to fund programs for four year olds at \$3,400 per child. The **Great Start Early Childhood Investment Corporation Collaborative** grants would continue to be funded at \$6 million. The **Section 32j Great Start Great Parents ISD** funding of \$5 million is also maintained.
- **Section 61a Vocational Education Added Cost** funding would continue at \$26.6 million.
- The Executive Recommendation for FY 2011 would continue the **Section 81 ISD Operation** funding at \$65.4 million.
- Other programs that would continue for FY 2011 at their FY 2010 funding levels include:
 - ISD Special Education Millage Equalization (Section 56) \$36.9 million;
 - Health Science Middle College Planning (Section 64) \$2 million;
 - Math/Science Centers (Section 99) \$2.6 million;
 - Bilingual Education (Section 41) \$2.8 million;
 - Small Rural District Transportation (Section 22d) \$1.3 million;
 - MBT Impact on Out-of-Formula Districts (Section 22e) \$1.3 million;
 - ISD Vocational Education Millage Equalization (Section 62) \$9 million.

The **three-year average blended pupil count** language in Section 6(4)(y) would continue for those districts with 4.5 or fewer pupils per square mile and a standard FY 2011 blend of less than 1,550 FTEs.

The estimated FY 2011 **PSERS rate** would increase from 16.94% to 19.41%.

Funding of \$453,600 for **school bus inspections** is added in the Executive Recommendation. Under this program, the Michigan state Police would perform annual random and intermittent audits of the inspections performed by districts.

Amended language to **Section 11d** further promotes the **consolidation of business services** such as accounting, purchasing, payroll, and technology services. Under this language districts will be required to implement service consolidation agreements to implement the most cost-effective method of providing those services.

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. Click on "FY 2011 Executive Budget Bills" then "School Aid."

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 2009. 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 2009 Section 51c and possibly FY 2009 Section 22b. Questions concerning these changes may be directed to Dianne Easterling, (517) 241-4517, EasterlingD@Michigan.gov.

MICHIGAN PUBLIC SCHOOL ACCOUNTING MANUAL – CHANGE NOTICE #17

The Office of State Aid and School Finance plans to e-mail Change Notice # 17 related to the Michigan Public School Accounting Manual the week of February 22, 2010. The Change Notice will be e-mailed to those listed as "lead administrators" in the Educational Entity Master (EEM). It will also be e-mailed to the MSBO Business Listserv as a courtesy. If you would like to assure that your district's business manager receives future communications directly, we ask that the authorized EEM user update the EEM dataset with the appropriate e-mail address for your business manager. The Change Notice, along with the Accounting Manual updates, will be posted to our website at: http://www.michigan.gov/mde/0,1607,7-140-6530_6605-21321--,00.html.

FINANCIAL INFORMATION DATABASE (FID) CORRECTIONS

The Office of State Aid and School Finance staff e-mailed the week of January 22, 2010 correspondence to school districts whose data raised a question based on an analysis of the FY 2009 Financial Information Database (FID) submission. The information was e-mailed to the individual who submitted the FID on behalf of the district. The correspondence requests that the individual review the data in question and either correct the FID or contact the Office of State Aid and School Finance to explain the discrepancies. Your cooperation in "cleaning up" the FY 2009 FID data is very much appreciated. With questions regarding this request, contact Glenda Rader, State Aid and School Finance, (517) 335-0524 or email: RaderG@Michigan.gov.

DEFICIT DISTRICT UPDATE

Forty-one (41) Michigan school districts or public school academies ended the FY 2009 school year with a deficit balance in their general fund. Any district or academy in this condition must submit to the Department a detailed, board adopted plan for eliminating that deficit. That plan must be approved by the Department prior to March 1, 2010. Districts or academies with a general fund deficit as of June 30, 2009 that are not operating under a Department approved Deficit Elimination Plan by March 1, 2010 will experience a withholding of state school aid as required by Section 102 of the State School Aid Act (MCL 388.1702) until their plan has been approved by the Department. Questions concerning this item may be directed to Phil Boone at 517-335-4059 or BooneP2@michigan.gov.

GENERAL INFORMATION

- March 17 is the deadline for ISDs to submit to the Center for Educational Performance and Information (CEPI) the Audited FTE Counts for the September 30, 2009 pupil membership count day. (Joellen Wonsey, (517) 373-3352, WonseyJ@Michigan.gov)
- February 10 was the FY 2010 Supplemental count date. The Michigan Student Data System (MSDS) records for the Supplemental count date are due to the Center for Educational Performance and Information (CEPI) by March 17, 2010 and are to be certified by March 31, 2010.
- The proration factor for Section 29 Declining Enrollment is .0768294354.
- The proration factor for Section 31a – At Risk funding is \$286.700546025 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.