

**FY 2008-2009 STATE SCHOOL AID SUPPLEMENTAL**

Enrolled House Bill 4721 was signed by the Governor on July 9, 2009 and enacted as P.A. 73 of 2009. As mentioned in the June State School Aid UPDATE, P.A. 73 **reduces** the State School Aid Act **Section 22b** school aid fund appropriation by \$600 million. The bill also adds a **new Subsection 22b(2)** that allocates "an amount estimated at \$600 million" in federal funds awarded to the state under the American Recovery and Reinvestment Act (ARRA). The ARRA State Fiscal Stabilization Funds are to offset the districts' reductions in Section 22b Discretionary Payment funding as a result of the reduction in the Section 22b state school aid fund appropriation. The \$600 million exceeds the \$429 million amount of the FY 2008-2009 school aid fund shortfall confirmed at the May 15, 2009 Consensus Revenue Estimating Conference in order to protect districts against any unanticipated revenue declines throughout the remainder of the year. The ARRA Stabilization funds are to be distributed in a form and manner determined by the Department based on an equal dollar amount per pupil. The pupil count to be used is the district's state aid membership used to calculate the May 20, 2009 state school aid payment. That pupil count can be found in the upper right hand corner of the May 20, 2009 State Aid Financial Status Report. For most districts the per pupil amount of the Section 22b reduction, based on the \$600 million reduction in P.A. 73, is equal to approximately \$372.

In addition to the appropriation changes mentioned above, P.A. 73 includes an amendment to Section 6(4)(r) of the State School Aid Act that required developmental kindergarten pupils to receive a minimum of 1,098 hour of instruction in order to generate a 1.0 FTE beginning in the school year that ends June 30, 2010 and that required kindergarten pupils to receive a minimum of 658.8 hours of instruction in order to generate a 1.0 FTE beginning in the school year that ends June 30, 2011. **The amendment removes these requirements and reverts to the earlier language that allows a 1.0 FTE for both kindergarten and developmental kindergarten pupils that receive a minimum of 549 hours of instruction.**

For more information on P.A. 73 go to [www.michiganlegislature.org](http://www.michiganlegislature.org) and key in 4721 when prompted for a bill number

**AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) STABILIZATION FUNDS**

The district's corresponding allocation of federal ARRA Stabilization funds is to be applied for via the Michigan Electronic Grants System (MEGS). The MEGS is now available for ARRA Stabilization fund applications. Those applications must be submitted by **July 31, 2009**. Since P.A. 73 (see related item above) was enacted in time for the July 2009 state school aid payment, the Section 22b Discretionary payment reduction is reflected on the July State School Aid Financial Status Report as a negative amount on a separate line item under the section labeled "Current Year Allowances." It is labeled "**22b Discretionary Pmt Adj.**" 90.9% of the adjustment has been deducted from the July payment with the remaining 9.1% to be deducted in August. For more information on the ARRA Stabilization funds go to <http://www.michigan.gov/mde/0,1607,7-140-5236-216190--,00.html>.

Accounting for the (ARRA) Education Stabilization funds should be handled as follows:

The regular Section 22b revenue amount should be offset by the amount of the ARRA 22b adjustment showing on the front page of the July State Aid Financial Status report. The adjusted amount will be reported in revenue major class code 311-0010. Once the district has received notice that the ARRA Education Stabilization funds have been approved in the MEGS, the funds have been appropriately expended by the district, and all district established revenue recognition criteria have been met, the district administration may record the federal ARRA Education Stabilization funds revenue in major class "412-Unrestricted federal revenue received through the state" with suffix code "0230-American Recovery and Reinvestment Act of 2009." IT IS ESSENTIAL that a district record these revenues appropriately to the Financial Information Database (FID) using the codes indicated to assure that its FY 2010-2011 maintenance of effort calculation is accurate.

The expenditures for the ARRA Education Stabilization funds should be recorded in the function and object that the funds were utilized to provide. The expenditure State Code is "641." You may also refer to the official MDE correspondence at:

[http://www.michigan.gov/documents/mde/ESF\\_Tentative\\_Allocations\\_Memo\\_06\\_12\\_09\\_282510\\_7.pdf](http://www.michigan.gov/documents/mde/ESF_Tentative_Allocations_Memo_06_12_09_282510_7.pdf)

Because these are federal funds, districts need to comply with federal documentation requirements. For example, districts need to support payroll changes with federal timekeeping documentation. Also, these additional funds will raise some districts above the \$500,000 single audit threshold necessitating a single audit. Those districts should contact their auditor to schedule the additional work.

Questions related to the MEGS allocation for the ARRA Stabilization funds may be directed to the Grants Administration and Coordination Unit at (517) 373-1806 or [mdestabilization@michigan.gov](mailto:mdestabilization@michigan.gov). Questions related to the accounting for these funds may be directed to Glenda Rader at (517) 335-0524 or [RaderG@Michigan.gov](mailto:RaderG@Michigan.gov). Questions related to auditing these funds may be directed to Kathy Weller at (517) 335-6858 or [WellerK@Michigan.gov](mailto:WellerK@Michigan.gov).

### **JULY PAYMENT INFORMATION**

The July state school aid payment is the 10<sup>th</sup> payment of the year and reflects a cumulative 90.90% of the year's allocations for Sections 22a, 51c, and 22b as well as for most categoricals. Prior year adjustments are made at 100% in a single payment.

**Taxable Value** – The July payment was calculated using the most recent taxable value data reported to the Department by 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/TaxableValue>. To view your data click on "Public Access," and then choose your district code and the applicable tax year from the drop down menu. Any revisions to taxable values received prior to June 26, 2009 were incorporated into the payment calculation.

**Pupil Membership** – The audited February 2008 and September 2008 pupil counts submitted via the SRSD system have been used in the calculation of the July payment. For PSAs in their first or second year of operation, the February 2009 count data submitted via the SRSD are averaged with the audited September 2008 count.

**Updated Categoricals** - The following categoricals were updated in the July 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:

- Advanced and Accelerated Learning Grants – Section 57 (Sam Sinicropi, School Improvement, (517) 241-1162, [SinicropiS@Michigan.gov](mailto:SinicropiS@Michigan.gov))
- Michigan School Readiness – Section 32d (Jan Fowler, Early Childhood Education and Family Services, (517) 241-4741, [FowlerJ2@Michigan.gov](mailto:FowlerJ2@Michigan.gov))

### **FISCAL YEAR 2009 RENAISSANCE ZONE ALLOWANCES UPDATED**

In addition to the categorical updates mentioned above, the FY 2009 Section 26a Renaissance Zone (RZ) allowances that appear on the July 2009 State School Aid Financial Status Reports have been updated by the Treasury Department based on the latest taxable valuations and millages for those units whose revised tax year 2008 RZ taxable values match the RZ taxable values reported to the Department by the respective county treasurer. Treasury has advised that additional adjustments to the RZ allowances will be made in the August payment. Questions related to the RZ allowances should be directed to Howard Heideman, Treasury, Office of Revenue and Tax Analysis, at (517) 373-9002 or by e-mail at [HeidemanH@Michigan.gov](mailto:HeidemanH@Michigan.gov).

### **SID AND REP REPORTING**

Section 19(5) of the State School Aid Act requires local districts, intermediate districts and public school academies to submit their Registry of Educational Personnel (REP) data to the Center for Educational Performance and Information (CEPI) by June 30 each year. Section 19(6) of the State School Aid Act requires local districts, intermediate districts and public school academies to submit their School Infrastructure Database (SID) information to CEPI by June 30. 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 public school academy qualifies under the act for non-compliance with either of these reporting requirements. State aid funds are being withheld from a total of 18 entities that did not comply with the SID and/or the REP reporting requirement. The withheld amount will appear on the State Aid Financial Status Report as a negative under the section labeled "Current Year Allowances" on a line labeled "SID Deduct" or "REP Deduct." CEPI has tentative plans to reopen the two databases on July 16, 2009, to allow inputting of the data through July 20, 2009. The withheld funds will be released in the next school aid payment following compliance. Questions regarding the submission of the SID/REP data should be directed to the CEPI customer support via e-mail at [cepi@michigan.gov](mailto:cepi@michigan.gov) or phone at (517) 335-0505, option 3.

### **FIFTH INSTALLMENT OF TAX INCREMENT FINANCING AUDIT DEDUCTS**

A number of districts were affected in fiscal year 2004-2005 by Michigan Department of Treasury audits that led to the correction of taxable values related to tax increment financing plans. In some cases, these corrections resulted in state aid reductions to districts that had been overpaid based on the value of the plan reported by the county treasurer prior to the audit. Some districts documented a hardship per the language

in Section 15 of the State School Aid Act and were granted an additional year(s) to repay the funds. The first installment of these reductions was reflected in the June 2005 state school aid payment. The fifth installment is reflected in the July 2009 payment. Because these adjustments are made by simply correcting the taxable value of the district for the tax year(s) involved, the state school aid adjustment will be labeled "22a XXXX Proposal A Obligation" on the State School Aid Financial Status Report where XXXX represents the applicable fiscal year. Questions related to these reductions should be directed to Phil Boone, Office of State Aid and School Finance, (517) 335-4059 or [BooneP2@Michigan.gov](mailto:BooneP2@Michigan.gov).

### **POSTING OF BUDGETS TO A WEBSITE**

Language in Section 18(2) of the State School Aid Act requires local districts, intermediate districts and public school academies to post their annual operating budget and subsequent amendments on their website within 30 days of being adopted by the board. An initial **FY 2009-2010 budget should be posted no later than July 30, 2009**. The budget postings should include the General Appropriation Resolution for all funds for which the board adopts a budget. For further information regarding this requirement and the format of the budget, please see Section IV, page 7 of the Public School Accounting Manual. Questions related to the budget 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](mailto:RaderG@Michigan.gov).

### **SECTION 31A AT-RISK PROGRAM REPORTS**

Local districts and public school academies receiving FY 2009 funds under Section 31a At-Risk are required to submit the FY 2009 Section 31a Program Report to the Department by July 15, 2009. If the report is not submitted by July 15<sup>th</sup>, an amount equal to the district's Section 31a August installment will be withheld from the August state aid payment. These funds will be forfeited if the report is not received by September 30, 2009. The report form is available in the Michigan Electronic Grants System (MEGS) at <http://megs.mde.state.mi.us/megs/>. Contact Judy Thelen, Office of School Improvement, Field Services Unit, at (517) 335-1266 or e-mail at [ThelenJ8@Michigan.gov](mailto:ThelenJ8@Michigan.gov).

### **TAXABLE VALUE SYSTEM UPDATES**

The online taxable valuation collection system has been made available for county treasurers to input tax year 2009 values to be used when calculating FY 2009-2010 State School Aid. These values are due by September 1, 2009. The URL is <http://mdoe.state.mi.us/TaxableValue>. Please encourage your treasurer to report these values if they have not already done so. To view your data click on "Public Access," and then choose your district code and the applicable tax year from the drop down menu. Questions should be directed to Phil Boone, Office of State Aid and School Finance, at (517) 335-4059 or by e-mail at [BooneP2@Michigan.gov](mailto:BooneP2@Michigan.gov).

### **SECTION 107 ADULT EDUCATION FUNDING**

The July 2008, September 2008, February 2009, and the April 2009 Adult Education participant FTE counts are being used in the calculation of Section 107, Adult Education allowances. For those districts that have reached the capped FTE count, the district is receiving an allowance based on the product of \$2,850 times the capped FTE. Those districts that have reported Adult Education participant FTE counts lower than the district's cap will see an adjusted allowance on their July State School Aid Financial Status Report. Those districts that have an April 2009 Adult Education participant count must have their pupil accounting auditor enter that April information into the February audit on the Michigan Education Information System (MEIS) before August 1. Questions should be directed to Joellen Wonsey, Office of State Aid and School Finance, at (517) 373-3350 or by e-mail at [WonseyJ@Michigan.gov](mailto:WonseyJ@Michigan.gov).

### **GENERAL INFORMATION**

- Reminder regarding form **DS-4168**, Report of Days and Clock Hours: Districts should forward this form for the school year 2008-2009 to their respective ISD by July 17, 2009. The ISD is to forward a copy to the Department by August 1.
- **Proration factors:** Section 31a – At Risk funding per pupil proration is \$254.457315710. Section 29 - Declining Enrollment proration is .0745577521. Section 56 – ISD Special Ed Millage Equalization proration is .9907893255.
- The Supplemental count (February 2009) ISD audited FTE values are due to the Center for Educational Performance and Information by July 29, 2009.
- July 22, 2009 is the first Adult Education participant count date for the school year 2009-2010. These counts should be reported to CEPI with the September 2009 FTE data.
- September 30, 2009, the fourth Wednesday after Labor Day, is the Pupil Membership Count Date for FY 2009-2010.

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)