

Senate BILL 1163 ENACTED

Enrolled Senate Bill 1163 (ESB 1163), the FY 2011 school aid budget, was signed by the Governor on July 7, 2010 and enacted as PA 110 of 2010. The bill was signed with vetoes. The bill also amends some sections of state school aid for FY 2010. A brief synopsis of the bill follows.

The **Section 11d** deduct for **FY 2010** has been reduced from \$165 to \$154 per pupil (see related item below). The Section 11d deduction will remain at the \$154 per pupil level for **FY 2011**. Last year, Section 11d(2) required districts to enter into an agreement with the Department to develop a service consolidation plan to reduce school operating costs that is in compliance with Department guidelines not later than February 1, 2010. Districts that complied with the language in Section 11d(2) were given the flexibility to apply the \$154 per pupil deduction to any funding received under the State School Aid Act with the exception of funding under 11g (Durant Bond), 22a (Proposal A Obligation), 31d (School Lunch), 51a(12) (Special Education Foundations), 51c (Special Education Headlee), and 53a (Special Education Added Costs) which are considered to be "protected." Districts that did not comply with the language in Section 11d(2) that required the service consolidation plan were required to apply the deduction first against their Section 22b Discretionary Payment funds. **New Subsection 11d(3)** for FY 2011 requires a district to submit, not later than February 1, 2011, a **report on the status of the district's implementation of the service consolidation plan** that the district submitted under Subsection 11d(2) in FY 2010. Again in FY 2011, districts that complied with the Subsection 11d(2) language by February 1, 2010 will be given the flexibility to apply the deduct to any of the state school aid line items that are not listed above as protected. **NOTE:** P. A. 110 adds the Section 32d (Great Start School Readiness) funds to the list of protected categorical for FY 2011. Under no circumstances can any district apply the reduction against any of the protected funds mentioned above.

As in FY 2010, **federal State Fiscal Stabilization Funds** (\$184.3 million) are appropriated in Section 22b to offset a shortfall in the Section 22b Discretionary Payment funding. The exact per pupil amount of the Section 22b adjustment that will be offset with the federal State Budget Stabilization funds in FY 2011 is not known at this time and can only be calculated after the final August 2010 pupil counts are known and the FY 2011 Section 22b Discretionary Payment allowances are calculated.

Other items of general interest enacted in PA 110 of 2010 include:

- The **Section 81 ISD General Operations** funding has been increased for FY 2010 (see related item below) from 80% of the FY 2009 level to 82.9% of the FY 2010 level. The Section 81 funding for FY 2011 will be 80% of the FY 2009 funding.
- 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) is funded for FY 2011.
- The requirement to provide at least 5 hours of online professional development in order to count any professional development time as instructional time is not included.
- The language in Section 101(3) that requires each district to provide a minimum of 165 days of instruction, but not less than the number of days provided in FY 2010 remains for FY 2011 and FY 2012.

The Governor vetoed language in Sections 22e(6), 92, and 99p that earmarked funding for new programs. Also vetoed is language in Sections 20(25), 20j and 32c which was contingent upon passage of legislation to increase state revenues.

To see the bill in its entirety and a more detailed analysis go to www.Michiganlegislature.org and key in 1163 when prompted for a bill number.

JULY PAYMENT INFORMATION

The July state school aid payment is the 10th 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 July 6, 2010 were incorporated into the payment calculation.

Pupil Membership – The audited February 2009 and September 2009 pupil counts submitted via the MSDS system have been used in the calculation of the July payment. For PSAs in their first or second year of operation, the February 2010 count data submitted via the SRSD are averaged with the audited September 2009 count.

Updated Categoricals - The following categorical was updated in the July payment although the update may not have affected the allocation amount for all districts. If the allocation amount for your district has changed and you have questions concerning that change, contact the consultant identified below:

- Michigan School Readiness – Section 32d (Jan Fowler, Early Childhood Education and Family Services, (517) 241-4741, FowlerJ2@Michigan.gov)

FISCAL YEAR 2010 SECTION 11D AND SECTION 81 ADJUSTMENTS IN JULY PAYMENT

In addition to the categorical update mentioned above, the July payment incorporates changes to the FY 2010 Section 11d per pupil deduction and the Section 81 ISD General Operations funding that were enacted in PA 110 of 2010 (see related item above). The Section 11d per pupil deduction has been reduced by \$11 from \$165 per pupil to \$154 per pupil. The FY 2010 Section 81 allowances for Intermediate School Districts have been raised from 80% of the FY 2009 level to 82.9% of the FY 2009 level. Questions related to these changes should be directed to Dan Hanrahan, Office of State Aid and School Finance, at (517) 335-0521 or by e-mail at HanrahanD@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 10 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 reopened the two databases on July 16, 2010, to allow inputting of the data through July 20, 2010. 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 or phone at (517) 335-0505, option 3.

BUDGET AND SALARY/COMPENSATION TRANSPARENCY REPORTING

The Department has issued revised guidelines for posting financial data to district websites as required by Section 18(2) and 18(3) of the State School Aid Act. In order to assure compliance with the statutory requirements, all data elements defined in the guidelines must be available on the district's Main Home Page in the form and manner described in the guidelines. The data must be posted within 30 days after the local district, intermediate school district or public school academy board has adopted its annual operating budget for FY 2011. The revised guidelines clarify the intermediate school district budgetary transparency reporting requirements as amended in PA 110 of 2010. A link to the revised guidelines can be found at http://www.michigan.gov/documents/mde/Budget_Transparency_Reporting_327912_7.pdf. Questions related to the budgetary transparency reporting 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.

SECTION 31A AT-RISK PROGRAM REPORTS

Local districts and public school academies receiving FY 2010 funds under Section 31a At-Risk are required to submit the FY 2010 Section 31a Program Report to the Department by July 15, 2010. The report form is available in the Michigan Electronic Grants System (MEGS) at <http://megs.mde.state.mi.us/megs/>. If the report is not submitted by July 15th, an amount equal to the district's Section 31a August installment will be withheld from the August state aid payment as required by language in Section 31a of the State School Aid Act. These funds will be forfeited if the report is not received by September 30, 2010. If you have questions regarding the Section 31a program and reporting requirements, please contact Michelle Patton, Section 31a Consultant, Office of Field Services, at (517) 373-6066 or PattonM@Michigan.gov. If you have MEGS related questions contact Judy Thelen, Office of Field Services at (517) 335-1266 or e-mail at ThelenJ8@Michigan.gov.

TAXABLE VALUE SYSTEM UPDATES

The online taxable valuation collection system has been made available for county treasurers to input tax year 2010 values to be used when calculating FY 2010-2011 State School Aid. These values are due by September 1, 2010. 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 e-mail at BooneP2@Michigan.gov.

INDIRECT COST RATES

Adjustments to local and intermediate school district Indirect Cost Rates were due to the Department by June 1, 2010. The process of recalculating rates is complete and final rates are available on the Department's website at http://www.michigan.gov/mde/0,1607,7-140-6530_6605-118785--,00.html. When applying indirect rates please exclude amounts in excess of \$25,000 of any purchased service contracts for any direct functions of the district. Questions related to the indirect cost rate calculations should be directed to Phil Boone, Office of State Aid and School Finance, at (517) 335-4059 or e-mail at BooneP2@Michigan.gov.

GENERAL INFORMATION

- Reminder regarding form **DS-4168**, Report of Days and Clock Hours: Districts should forward this form for the school year 2009-2010 to their respective ISD by July 17, 2010. The ISD is to forward a copy to the Department by August 1.
- **Proration factors:** Section 31a – At Risk funding per pupil proration is \$288.569900965. Section 29 - Declining Enrollment proration is .074777791.
- The Supplemental count (February 2010) ISD audited FTE values are due to the Center for Educational Performance and Information by July 28, 2010.
- July 28, 2010 is the first Adult Education participant count date for the school year 2010-2011. These counts should be reported to CEPI with the September 2010 FTE data.
- September 29, 2010, the fourth Wednesday after Labor Day, is the Pupil Membership Count Date for FY 2010-2011.

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