

STATE SCHOOL AID UPDATE

Michigan Department of Education



June 2007

Vol. 15 No.9

NO FY 2007 STATE SCHOOL AID PRORATION

The State Budget Director advised in a letter dated April 30, 2007 to the chairs of the House and Senate Appropriation Committees that, pursuant to the language in Section 11(3) of the State School Aid Act, proration of school aid payments would be necessary beginning with the June 2007 payment unless the legislature took action to prevent that proration prior to that payment. House Bill 4850 was signed by the Governor on June 12, 2007 and enacted as Public Act (P.A.) 18 of 2007. This act amends the Michigan Tobacco Settlement Finance Authority Act (P.A. 226 of 2005) to allow the state to sell additional tobacco receipts for cash in the amount of \$410 million. According to the Act, \$202.8 million of the \$410 million shall be deposited in the state school aid fund. The enactment of P.A. 18 of 2007 eliminates the need to prorate FY 2007 state school aid.

MPSERS CREDIT INFORMATION

Senate Bill 221 that was enacted as P.A. 6 of 2007 amends Section 147 of the State School Aid Act. The amendatory language says, in part, that the Michigan Public School Employees Retirement System (MPSERS) shall issue credits for FY 2007 to be used by local and intermediate school districts to meet their required obligations, that is, "to reduce the amount of pension contributions otherwise due from that district or intermediate district based on the original contribution rate." The language further states that the portion of the credit issued on behalf of a local district related to nonfederal wages shall be considered a payment on behalf of the district for the purposes of calculating payments made under Section 22b (Discretionary Payment) of the State School Aid Act for FY 2007. The portion of the credit issued on behalf of an intermediate school district (ISD) related to nonfederal wages shall be considered a payment on behalf of the ISD for the purposes of calculating payments made under Section 81 (Intermediate District General Operating) of the State School Aid Act for FY 2007. In other words, local and intermediate school districts will receive less in FY 2007 state school aid and will, in turn, contribute less to the MPSERS. Consequently, local and intermediate school districts will see a negative state school aid allowance, referencing Section 147, on their June State School Aid Financial Status Report for the amount of the credit related to nonfederal salaries. In turn, local and intermediate school districts may apply the credit against their MPSERS contributions beginning with the June 20, 2007 contribution. Although the negative allowance will be spread evenly over the remaining FY 2007 payments---June, July and August 2007, districts should use all of the credits to offset MPSERS payments as soon as possible.

The MPSERS has sent letters dated June 6, 2007 to local and intermediate school districts that provide each district's total credit. To get the breakdown of the credit between the federal and nonfederal share and to see accounting guidance related to the credit, please go to the Department's website at :

http://www.michigan.gov/mde/0,1607,7-140-6530_6605-21356--,00.html

In addition, there is a document with some frequently asked questions related to the MPSERS credit at this website that may be helpful. Questions related to the accounting for the MPSERS credit may be directed to Glenda Rader, Office of State Aid and School Finance, (517) 335-0524 or RaderG@Michigan.gov. For questions related to the total amount of the credit, please contact Kerrie Vanden Bosch, MPSERS, (517) 636-6104 or VandenBoschK@Michigan.gov.

JUNE PAYMENT INFORMATION

The June state school aid payment is the 9th payment of the year and reflects a cumulative 81.81% 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. Generally, information needed to calculate a payment or to update a categorical amount that is received in the Office of State Aid and School Finance by the 1st of a given month will be used in that month's state school aid payment. Therefore, information and data that were received in the Office by June 1, 2007, are reflected in the June payment calculations. The June payment will post in the school districts' accounts on Wednesday, June 20, 2007.

THIRD 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 third installment is reflected in the June 2007 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 is 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.

FORM DS-4168, REPORT OF DAYS AND CLOCK HOURS OF INSTRUCTION

The instructions and forms to report the number of days and clock hours of instruction provided during the FY 2007 school year are available on the Department's website. Two copies of the completed form(s) are to be forwarded to the respective Intermediate School District (ISD) by July 18; the ISD will forward one copy of the districts' forms to the Department by August 1. To access the forms at www.Michigan.gov/mde click on "Keywords" then "State Aid Forms." Completion and submission of the DS-4168 with an indication that professional development (PD) time was counted as instructional time will serve as the required notice to the Department that the district has counted PD time as instructional time as allowed under Section 101(11) of the State School Aid Act. With questions related to the DS-4168 contact Joellen Wonsey, State Aid and School Finance, (517) 373-3352, or e-mail: WonseyJ@Michigan.gov.

INDIRECT COST RATES

Adjustments to local and intermediate school district indirect cost rates were due to the Department by June 1, 2007. The process of recalculating rates is nearly complete and final rates will be available on the Department's website before the end of June 2007. Questions related to the indirect cost rate calculations should be directed to Phil Boone, Office of State Aid and School Finance, (517) 335-4059 or BooneP2@Michigan.gov.

SECTION 31A AT-RISK PROGRAM REPORTS DUE JULY 16, 2007

Local districts and public school academies receiving FY 2007 funds under Section 31a At-Risk are required to submit the FY 2007 Section 31a Program Report to the Department by July 16, 2007. 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 16, an amount equal to the district's Section 31a August installment will be withheld from the August 2007 state aid payment as required by Section 31a of the State School Aid Act. These funds will be forfeited if the report is not received by September 30, 2007. Contact Judy Thelen, Office of School Improvement, Field Services Unit, at (517) 335-1266 or ThelenJA@Michigan.gov.

GENERAL INFORMATION

- The **Bulletins 1011 and 1014** reflecting local school district **2005-2006** financial information are now available on the MDE website at www.Michigan.gov. Click on "Programs and Offices", then "State Aid and School Finance" then look under "Publications and Reports." With questions related to the bulletins contact Glenda Rader, State Aid and School Finance, (517) 335-0524, or e-mail: RaderG@Michigan.gov.
- **Proration factors:** Section 31a – At Risk funding per pupil proration is \$206.187318059. Section 29 - Declining Enrollment proration is .0938375119. Section 56 – ISD Special Ed Millage Equalization proration is .9675262864.

*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.