

HOUSE BILL 4721

On Thursday, June 11, 2009 the Michigan House of Representatives passed HB 4721 which acts as a "negative supplemental" for fiscal year 2008-2009, meaning that the bill reduces current year school aid appropriations. HB 4721, if enacted, would reduce 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 School Aid Financial Status Report. For most districts the per pupil amount of the Section 22b reduction, based on the proposed \$600 million reduction in HB 4721, is equal to approximately \$372. The district's corresponding allocation of federal ARRA Stabilization funds is to be applied for via the Michigan Electronic Grants System (MEGS). If HB 4721 or similar language is enacted in time for the July 2009 state school aid payment, the Section 22b Discretionary payment reduction will be 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 will be labeled "22b Discretionary Pmt Adj." If possible, 90.9% of the adjustment will be deducted from the July payment with the remaining 9.1 % deducted in August. The MEGS is now available for ARRA Stabilization fund applications. For more information on the ARRA Stabilization funds go to <http://www.michigan.gov/mde/0,1607,7-140-5236-216190--,00.html>. 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. Questions related to the accounting for these funds may be directed to Glenda Rader at (517) 335-0524 or RaderG@michigan.gov.

KINDERGARTEN/DEVELOPMENTAL KINDERGARTEN NEWS

HB 4721 (see related item above) also includes language that, if enacted would amend language in Section 6(4)(r) of the State School Aid Act that requires 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 requires 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 would retain the current language that allows a 1.0 FTE for both kindergarten and developmental kindergarten pupils that receive a minimum of 549 hours of instruction.

FY 2010 SCHOOL AID

On Wednesday, June 17, 2009 the Senate Appropriation Subcommittee on School Aid reported out a Senate Substitute for HB 4447 (the House proposal for fiscal year 2009-2010 state school aid). Please see the April State School Aid UPDATE article on HB 4447 that included a comparison to the Governor's Executive Recommendation for fiscal year 2009-2010 school aid. The Senate Substitute takes into consideration the projected school aid fund revenue shortfall for fiscal years 2009-2010 and 2010-2011, and would spread the ARRA Stabilization funds over three years as opposed to two with the intent of leveling the amount of "categorical" program cuts necessary in those years to maintain school aid fund expenditures within expected revenues. The Senate Substitute would use approximately \$236 million in categorical program cuts coupled with additional ARRA Stabilization funds to offset the projected fiscal year 2009-2010 revenue shortfall.

Categorical programs that would be eliminated under the Senate Substitute include:

- Section 32d Great Start Readiness \$88.4 million
- Section 56 Special Education ISD Millage Equalization \$36.8 million

- Section 29 Declining Enrollment \$20 million
- Section 62 Voc Ed ISD Millage Equalization \$9 million
- Section 41 Bilingual Education \$2.8 million
- Section 57 Advanced and Accelerated \$285,000

Categorical programs that would be reduced significantly under the Senate Substitute include:

- Section 81 ISD General Operations \$4.1 million
- Section 61a Vocational Education Added Cost \$3 million
- Section 107 Adult Education \$2.4 million

A key boilerplate language change in the Senate Substitute concurs with the language change in HB4721 (see item above) that would maintain full funding for kindergarten and developmental kindergarten programs with a minimum of 549 hours of instruction.

The summary provided above should not be considered a complete description of the content of the Senate Substitute for HB 4447. Additional information and details on this proposal can be found at www.senate.Michigan.gov.

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 fourth installment will be 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.

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 2008-2009 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 17, 2009; the ISD is to forward one copy of the districts' forms to the Department by August 1. To access the forms, go to www.Michigan.gov/mde and 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(10) 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.

SECTION 31A AT-RISK PROGRAM REPORTS DUE JULY 15, 2009

Local districts and public school academies receiving fiscal year 2008-2009 funds under Section 31a At-Risk are required to submit the fiscal year 2008-2009 Section 31a Program Report to the Department by July 15, 2009. 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 15, an amount equal to the district's Section 31a August installment will be withheld from the August 2009 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, 2009. Contact Judy Thelen, Office of School Improvement, Field Services Unit, at (517) 335-1266 or ThelenJ8@Michigan.gov.

INDIRECT COST RATES

Adjustments to local and intermediate school district indirect cost rates were due to the Department by June 1, 2009. The process of recalculating rates is nearly complete and final rates will be available on the Department's website the week of June 22, 2009 at: http://www.michigan.gov/mde/0,1607,7-140-6530_6605-118785--,00.html. 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.

GENERAL INFORMATION

- The **Bulletins 1011 and 1014** reflecting local school district **2007-2008** 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 \$254.461004798. Section 29 - Declining Enrollment proration is .0745560876. Section 56 – ISD Special Ed Millage Equalization proration is .9908984964.

*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.