

STATE SCHOOL AID UPDATE

Michigan Department of Education



June 2011

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STATE SCHOOL AID DATA UPDATED FOR JUNE

The June state school aid payment is the 9th regular payment of the year and reflects 81.81% of the year's allocation for Sections 22a, 51c, and 22b as well as for most categoricals. Prior year adjustments are made at 100% in a single payment. The payment will post at the districts' banks on Monday, June 20, 2011.

Taxable value figures used to calculate the June payment represent the tax year 2010 values provided by the county treasurers via the web-based taxable valuation collection process. Any revisions to taxable values received prior to May 31, 2011 were incorporated into the payment calculation. These data can be viewed by school district personnel on the Department's website. The URL is <http://mdoe.state.mi.us/taxablevalue>. County treasurers should have reported, by May 1, 2011, the taxable valuations as of the date that they settled with the local unit treasurers. Districts may want to contact their county treasurers to encourage them to report the revised values if it is apparent that they have not yet done so.

The **membership blend** used to calculate the June payment incorporated all Michigan Student Data System (MSDS) pupil (FTE) counts released to the Department as of May 31, 2011, the date the Department downloaded the pupil counts from the Center for Educational Performance and Information.

The following **categoricals** were updated in the June 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:

- Special Education- Section 54 (Dianne Easterling, Special Education and Early Intervention Services, (517) 241-1235, EasterlingD@Michigan.gov)
- Alternative Energy Grants - Section 65(4) (Patty Cantu, Career and Technical Education, (517) 373-3373. CantuP@Michigan.gov)
- Great Start ISD - Section 32j (Colleen O'Connor, Early Childhood and Family Services, (517) 241-4291, OconnorC1@Michigan.gov)
- Great Start Readiness - Section 32d (Pat Sargent, Early Childhood and Family Services, (517) 241-4741, SargentP@Michigan.gov)

MAY REVENUE ESTIMATING CONFERENCE

Leaders from the House and Senate Fiscal Agencies and the State Treasurer met for the May Revenue Estimating Conference on May 16, 2011. The purpose of the conference was to reach a consensus on the current fiscal year (2010-2011) revenues and the projected revenues for fiscal year 2011-2012. The new consensus estimate for fiscal year 2010-2011 school aid fund revenues is \$132.4 million higher than was agreed to in January 2011 while the estimated general fund revenues for the year have been increased by \$296.3 million.

FY 2012 SCHOOL AID

House Bill 4325, the FY 2012 school aid budget, was presented to the Governor on June 7, 2011. At the time of this document, the bill had not been signed and enacted into law. The following are some highlights of the bill. However, there is always the possibility of vetoes.

- The Section 11d language which requires a per pupil reduction of \$170 that is separate from the Section 20 foundation funding in FY 2011 is repealed. Beginning in FY 2012 the per pupil foundation funding under Section 20 would be reduced by the \$170 per pupil.
- The per pupil foundation grants for FY 2012 will be reduced by \$470. **Note:** The \$470 reduction includes the \$170 reduction rolled into the foundation from Section 11d. See bullet directly above.
- The pupil count **membership blend** would change from the current 75%/25% to 90%/10%.
- The **Section 29 Declining Enrollment** funding of \$20 million for districts that do not qualify for a three-year blended pupil count exception under Section 6(4)(y) is repealed.
- The **Section 6(4)(y)** language that provides for a **three-year blended average** pupil count for districts with less than 1,550 pupils and less than or equal to 4.5 pupils per square mile is retained.
- The language in **Section 6(4)(r)** pertaining to the calculation of the **FTE for a kindergarten pupil** remains the same for 2012 but changes to require 1,098 hours for a 1.0 FTE in 2013.
- The **Section 22e** language that makes up for lost revenue due to the personal property tax exemptions in the Michigan Business Tax for districts with no state share of their foundation grant

is retained only for districts with less than 500 pupils for FY 2012. The funding is to be eliminated in 2013.

- The former **Small Class Size** funding that was rolled into the per pupil foundation grants under **Section 20(19)** are reduced to 68.5% for FY 2012 and eliminated for FY 2013.
- A **new section 22f** allocates \$154 million for **Best Practice Incentive** funds of \$100 per pupil (see discussion below).
- A **new Section 147a** is included which allocated \$155 million for one-time payments to districts participating in the Michigan Public School Employees' Retirement System. The payments would be based on a percentage of statewide payrolls for the year ending September 30, 2011. The funds are restricted for the purpose of offsetting a portion of the retirement contribution for the fiscal year ending September 30, 2012.
- The **Section 81 General Operations** funding to Intermediate School Districts is reduced by 5%.

A key boilerplate language change in House Bill 4325 moves the **Pupil Membership Count Day** from the fourth Wednesday after Labor Day to the first Wednesday in October. Districts need to be careful to schedule instruction on that day (October 5, 2011 for the 2011-2012 school year).

The summary provided above should not be considered a complete description of the content of HB 4325. Additional information and details on this bill can be found at www.house.michigan.gov.

NEW SECTION 22F FUNDING FOR FY 2012

As mentioned above, HB 4325 allocates \$154 million to be paid out at the rate of \$100 per pupil to districts that meet at least 4 of 5 "best practices" by June 1, 2012. The best practices named are: pay no more than 90% of employee health benefits, be the policy holder of all employee health benefit packages, develop or continue service consolidation plans as described in Section 11d of the School Aid Act as in effect for FY 2011, obtain a competitive bid for a non-instructional service valued at more than \$50,000 and provide a dashboard of specific education data to parents and community members. The Department is developing guidance related to this funding and will disseminate it to districts as soon as possible. We appreciate your patience.

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 2010-2011 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 15, 2011; 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 Karla Miller, State Aid and School Finance, (517) 373-3352, or e-mail: MillerK47@Michigan.gov.

SECTION 31A AT-RISK PROGRAM REPORTS DUE JULY 15, 2011

Local districts and public school academies receiving FY 2011 funds under Section 31a At-Risk are required to submit the FY 2011 Section 31a Program Report to the Department by July 15, 2011. 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 2011 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, 2011. Contact Michelle Patton, Section 31a Consultant, Office of Field Services, at (517) 373-6066 or PattonM@Michigan.gov with questions regarding the Section 31a program and reporting requirements. If you have MEGS related questions, please contact Judy Thelen, Analyst, Office of Field Services, at (517) 335-1266 or ThelenJ8@Michigan.gov.

GENERAL INFORMATION

- The **Bulletins 1011 and 1014** reflecting local school district **2009-2010** 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 \$358.116355012. Section 29 - Declining Enrollment proration is .0787730205. Section 56 Special Education Millage equalization proration is .9278670167.

*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.