

STATE SCHOOL AID DATA UPDATED FOR MARCH

The March state school aid payment is the 6th regular payment of the year and reflects 54.54% 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, March 22, 2010.

AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) STABILIZATION FUNDS

The Department has received the Phase II ARRA Education Stabilization funds. Districts can now see that the amount of ARRA Stabilization funds awarded in the Cash Management System agrees with the Section 22b Discretionary Payment Adjustment showing on the district's March State School Aid Financial Status Report.

Accounting for the (ARRA) Education Stabilization funds should be reported as follows. The regular Section 22b revenue should be offset by the amount of the Section 22b Discretionary Payment Adjustment showing on the front page of the State School 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 Michigan Education Grants System (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 the district's FY 2011 maintenance of effort calculation is accurate.

The expenditures for the ARRA Education Stabilization funds should be recorded in the function and object for which the funds were utilized. The expenditure State Code is "641."

FY 2011 SCHOOL AID

In the February State School Aid UPDATE we summarized the Governor's state school aid Executive Budget Recommendation for FY 2011 that was presented on February 11, 2010. On March 10, 2010 the Senate Appropriations Subcommittee on K-12 Education introduced Senate Bill 1163 which represents their version of FY 2011 state school aid. The bill was referred to the Senate Appropriations Committee. The following are some key points of SB 1163 with a comparison to the Governor's Executive Recommendation for FY 2011 school aid where applicable. See the February 2011 State School Aid UPDATE for more detail on the Governor's Executive Recommendation.

- The per pupil foundation grants would remain equal to the FY 2010 per pupil foundation grants. However, under the Executive Recommendation districts would continue to receive the same \$165 per pupil deduction under **Section 11d** as they did in FY 2010. Under SB 1163 the deduction from Section 11d would be increased to \$283.
- The Executive Recommendation would continue 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). SB 1163, if enacted, would repeal Section 29 and eliminate the \$20 million appropriation.

The **three-year average blended pupil count** language in Section 6(4)(y) would continue for those districts with 4.5 or fewer pupils per square mile and a standard FY 2011 blend of less than 1,550 FTEs under both SB 1163 and the Executive Recommendation.

The estimated FY 2011 **PSERS rate** would increase from 16.94% to 19.41% under the Executive Recommendation. Under SB 1163 the increase would be a more modest .14% to 17.08%. Language in Section 11d of SB 1163 states that the lower than projected retirement rate is intended to offset the increased per-pupil deduction under that section.

Funding of \$453,600 for **school bus inspections** is added in both SB 1163 and the Executive Recommendation. Under this program, the Michigan State Police would perform annual random and intermittent audits of the inspections performed by districts.

The Executive Recommendation amends language in **Section 11d** to further promote the **consolidation of business services** such as accounting, purchasing, payroll, and technology services. Under this language districts would be required to implement service consolidation agreements to implement the most cost-effective method of providing those services. SB 1163 does not include language that requires the implementation of the most cost-effective method of providing services, but it would require districts to submit a report to the Department by February 1, 2011 on the status of the district's implementation of their service consolidation plan submitted under Section 11d for FY 2010.

SB 1163 would eliminate the language in **Section 101** that requires, beginning in 2010-2011, each district to provide at least **165 days of instruction** and no fewer than the number of days of instruction provided in 2009-2010. Instead, SB 1163 would require each district to provide at least 165 days of instruction, beginning in 2010-2011, with the caveat that a district that provided at least 170 days of instruction in 2009-2010 could not provide less in 2010-2011.

SB 1163 would replace language in Section 101 that requires a district to provide at least 5 hours of **online professional development** in order count up to 38 hours of professional development as hours of instruction with language that simply encourages districts to provide some online professional development.

The summary provided above should not be considered a complete description of the content of either proposal. Also, please be advised that changes are likely as the budget makes its way through the legislative process. Additional information and details on the executive budget proposal can be found at www.Michigan.gov/budget. Additional information and details on SB 1163 can be found at www.senate.Michigan.gov/sfa.

INDIRECT COST INFORMATION

The Office of State Aid and School Finance will soon be posting the preliminary FY 2011 Indirect Cost Rates on our website at http://www.michigan.gov/mde/0,1607,7-140-6530_6605-118785--_00.html. Once they are available on the website, we will send an e-mail related to the process districts should use to appropriately adjust those rates. The e-mail will be sent to both superintendents and business managers of each district. Questions related to the process should be addressed to Phil Boone at boonep2@michigan.gov or (517) 335-4059.

SECTION 25C ADJUSTMENTS

Section 25c of the State School Aid Act allows a "district of the first class" to bill a local district or public school academy (PSA) for pupils that transfer to the district of the first class after the pupil membership count day. The Section 25c language requires the Department to deduct the amount of the bill that remains unpaid after a certain date from the remaining state school aid payments of the district or PSA from which the pupil transferred and pay the amount to the district of the first class. The Department will process the school aid adjustments in the April 2010 payment for any unpaid pupil transfer bills for pupils that transferred during the school year ending June 30, 2008. Questions concerning this item may be directed to Dan Hanrahan, Office of State Aid and School Finance, (517) 335-0521 or HanrahanD@Michigan.gov.

GENERAL INFORMATION

- The 4th quarterly count date for **Adult Education** program participants is the 4th Wednesday in April, **April 28, 2010**.
- **Michigan Student Data System files** for the Supplemental count were due to **CEPI by March 17, 2010** and are to be certified by **March 31, 2010**. Trina Anderson, CEPI, (517) 241-3432, AndersonT1@Michigan.gov.
- The **DS-4168B Planned Days and Clock Hours Report** is due April 15, 2010. The report is available on line at www.Michigan.gov/mde. Click on "keywords" then "State Aid Forms." Joellen Wonsey, (517) 373-3352 or WonseyJ@Michigan.gov.
- The per pupil proration factor for the Section 31a – At Risk funding is \$286.450700180
- The proration factor for the Section 29 – Declining Enrollment funding is .0765338161.

Do you have questions about the information appearing in the UPDATE? Call the consultants identified above or **Dan Hanrahan, Director, State Aid & School Finance, MDE**, phone: **517-335-0521**, fax: **(517) 241-0196**, e-mail: HanrahanD@Michigan.gov.