

MAY 15, 2009 DURANT – RELATED DEBT SERVICE PAYMENT

The State School Aid Act, as amended by Public Act 142 of 1997, provided appropriations as part of a settlement to school districts involved in the *Durant* litigation as well as school districts not involved in the litigation (referred to as Non-*Durant* school districts). The act provided for most of the Non-*Durant* school districts to receive half of their *Durant* related settlement amount in ten annual cash payments (paid November 15, 1998 through November 2007), and the other half in fifteen annual payments (beginning May 15, 1999 through May 15, 2013). The May payments could be pledged for a bonding option and approximately 450 school districts chose to do so. The Michigan Municipal Bond Authority (MMBA) issued bonds for the Non-*Durant* school districts that elected to receive a lump sum amount from the MMBA rather than the fifteen annual payments. These districts have received a separate status report, dated May 15, each year that a debt service payment was made to the trustee that shows the amount of the debt service paid on their behalf to the bond trustee. Six districts elected not to use the bonding option and are receiving the 15 annual payments. The May 15, 2009 State School Aid Financial Status Reports for the districts that chose the bonding option as well as the six districts that chose to receive the 15 payments are on the Department's website. As the result of a "restructuring" of these bonds, this is the first May 15 payment on behalf of the bonding districts since May 15, 2006. No action is required by the participating school districts to effectuate the debt service payments; all payments continue to be made by state appropriations for this purpose. The six districts that chose to receive the fifteen annual installments received a May 15, 2009 payment. Guidance related to accounting for the debt service is available on the Department's website at www.michigan.gov/mde/0,1607,7-140-6530_6605-22009--,00.html. Questions related to the debt service schedules should be directed to the Michigan Municipal Bond Authority, (517) 373-1728 or treasmmba@Michigan.gov.

STATE SCHOOL AID DATA UPDATED FOR MAY

The May state school aid payment is the 8th regular payment of the year and reflects 72.72% 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 Wednesday, May 20, 2009.

Taxable value figures used to calculate the May payment represent the tax year 2008 values provided by the county treasurers via the web-based taxable valuation collection process. Any revisions to taxable values received prior to May 5, 2009 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/taxvalue>. To view your data click on "Public Access," and then choose your district code and the appropriate tax year from the drop down menus.

Now that the taxable valuation collection process is web-based, county treasurers can make revisions to the reported values at any time. At a minimum, we request that they revise the values on the same schedule that values were reported to the Department under the paper collection process (DS-4410). That means that county treasurers should have reported, by May 1, 2009, the taxable valuations as of the date that they settled with the local unit treasurers. Letters were sent out to the treasurers requesting that they report those values if they had not done so already. The settlement numbers will have value changes from the July and December Boards of Review as well as any other changes since the fourth Monday in May 2008. Districts may want to contact their county treasurers as well 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 May payment incorporated all Single Record Student Database (SRSD) pupil (FTE) counts released to the Department as of May 5, 2009, the date the Department downloaded the pupil counts from the Center for Educational Performance and Information. The membership blend for most districts and public school academies (PSAs) for fiscal year 2009 is 25% of the February 13, 2008 supplemental count and 75% of the September 24, 2008 pupil count. All of the February 13, 2008 count data and virtually all of the September 24, 2008 count data are audited.

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

- ISD Great Start - Section 32j (Colleen O'Connor, Early Childhood and Family Services, (517) 241-4291, OconnorC1@Michigan.gov)

- Great Start Readiness - Section 32d (Jan Fowler, Early Childhood and Family Services, (517) 241-4741, FowlerJ2@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 15, 2009. The purpose of the conference was to reach a consensus on the current fiscal year (2009) revenues and the projected revenues for fiscal year 2010. The new consensus estimate for fiscal year 2009 school aid fund revenues is \$425 million less than was agreed to in January 2009 while the estimated general fund revenues for the year have been lowered by \$871 million. It is anticipated at this time that the cuts from Executive Order Number 2009 – 22 (see item below) as well as funds from the American Recovery and Reinvestment Act will be used to cover these shortfalls. Projected revenue for the fiscal year 2010 general fund and school aid fund are down \$985 million and \$732 million respectively. For more information regarding the revenue estimating conference, check the House Fiscal Agency website (www.Michigan.gov/HFA) and/or the Senate Fiscal agency website (www.Michigan.gov/SFA).

STATE OFFICE CLOSINGS - FURLOUGH DAYS

Executive Order Number 2009 - 22 has been signed by the Governor, approved by the appropriation committees of the House of Representatives and the Senate and filed with the Secretary of State on May 5, 2009. This Executive Order calls for expenditure reductions during fiscal year 2009 in order to help bring expenditures in line with the revised revenue projections stemming from the May Revenue Estimating Conference (see item above). One of the expenditure reductions in this Executive Order is the result of 6 planned furlough days for state employees. Only essential services such as state police, correctional facilities, etc. will be operating on the furlough days. The Department, including the Office of State Aid and School Finance will not be operating on the furlough days. The tentative dates of those furlough days are: June 19, 2009, July 6, 2009, July 24, 2009, August 7, 2009, August 21, 2009, and September 4, 2009. Although the office shutdown on these dates will affect some services normally provided, school aid payments will not be affected.

PUBLIC SCHOOL ACCOUNTING MANUAL – AMERICAN RECOVERY AND REINVESTMENT ACT

To date, the Department has received federal approval for five grant awards from the American Recovery and Reinvestment Act (ARRA). State Codes have been added to the *Michigan Public School Accounting Manual* for each of them. See page 54 of the manual. The approved programs are listed below with the related State Code:

<u>State Code</u>	<u>CFDA Number</u>	<u>Program Name</u>
636	84.387 a	Economic Recovery Act-Homeless Children and Youth
637	84.389	Economic Recovery Act-Title I Grants to Local Educational Agencies (LEA's)
638	84.391	Economic Recovery Act-IDEA
639	84.392	Economic Recovery Act-IDEA Part B Preschool
640	84.393	Economic Recovery Act-IDEA Infants and Families

Please use these codes to account for expenditures related to the grants. As you may already be aware, Michigan is one of the sixteen states that will be subject to additional GAO monitoring related to use of the ARRA funds. Therefore, for audit purposes, it is essential that districts maintain adequate record of how these funds are utilized. **Additional codes will be added to the manual as MDE receives federal approval of the grant awards. MDE will provide accounting guidance related to financial reporting for these funds as the information is made available to us.** If you have questions related to the State Codes, feel free to contact Glenda Rader at (517) 335-0524 or by email at raderg@michigan.gov.

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

Local districts and public school academies receiving fiscal year 2009 funds under Section 31a At-Risk are required to submit the fiscal year 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 state aid payment as required by the 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.

GENERAL INFORMATION

- **Proration factors:** Section 31a – At Risk funding per pupil proration is \$253.908366370. Section 29 - Declining Enrollment proration is .0745585481. Section 56 – ISD Special Ed Millage Equalization proration is .9679314290.

*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.